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Report of the Congressional Committees Investigating the

Iran-Contra Affair

Appendix B: Volume 15
Depositions

Lee H. Hamilton, *Chairman*,
House Select Committee
Daniel K. Inouye, *Chairman*,
Senate Select Committee

U.S. House of Representatives
Select Committee to Investigate
Covert Arms Transactions with Iran

U.S. Senate Select Committee
On Secret Military Assistance to Iran
And the Nicaraguan Opposition

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U.S. HOUSE OF REPRESENTATIVES
SELECT COMMITTEE TO INVESTIGATE
COVERT ARMS TRANSACTIONS WITH IRAN
UNITED STATES CAPITOL
WASHINGTON, DC 20515
(202) 225-7902

March 1, 1988

The Honorable Jim Wright
Speaker of the House
U. S. Capitol
Washington, D. C. 20515

Dear Mr. Speaker:

Pursuant to the provisions of House Resolutions 12 and 330 and House Concurrent Resolution 195, 100th Congress, 1st Session, I transmit herewith Appendix B to the Report of the Congressional Committees Investigating the Iran-Contra Affair, House Report No. 100-433, 100th Congress, 1st Session.

Appendix B consists of the depositions taken by the Select Committees during the investigation. The contents of Appendix B have been declassified for release to the public.

Sincerely yours,

Lee H. Hamilton
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United States Senate
SELECT COMMITTEE ON SECRET MILITARY
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION
WASHINGTON, DC 20510-6480

March 1, 1988

Honorable John C. Stennis
President pro tempore
United States Senate
Washington, D.C.

Dear Mr. President:

We have the pleasure to transmit herewith, pursuant to Senate Resolution 23, Appendix B to the final Report of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition. We will submit such other volumes of Appendices to the Report as are authorized and as they become available.

Sincerely,

Daniel K. Inouye
Chairman

Warren B. Rudman
Vice Chairman

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Preface

The House Select Committee to Investigate Covert Arms Transactions with Iran and the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, under authority contained in the resolutions establishing them (H. Res. 12 and S. Res. 23, respectively), deposed approximately 290 individuals over the course of their 10-month joint investigation.

The use of depositions enabled the Select Committees to take sworn responses to specific interrogatories, and thereby to obtain information under oath for the written record and develop lines of inquiry for the public hearings.

Select Committees Members and staff counsel, including House minority counsel, determined who would be deposed, then sought subpoenas from the Chairmen of the Select Committees, when appropriate, to compel the individuals to appear in nonpublic sessions for questioning under oath. Many deponents received separate subpoenas ordering them to produce certain written documents.

Members and staff traveled throughout the United States and abroad to meet with deponents. All depositions were stenographically reported or tape-recorded and later transcribed and duly authenticated. Deponents had the right to review their statements after transcription and to suggest factual and technical corrections to the Select Committees.

At the depositions, deponents could assert their fifth amendment privilege to avoid self-incrimination by refusing to answer specific questions. They were also entitled to legal representation. Most Federal Government deponents were represented by lawyers from their agency; the majority of private individuals retained their own counsel.

The Select Committees, after obtaining the requisite court orders, granted limited or "use" immunity to about 20 deponents. Such immunity means that, while a deposed individual could no longer invoke the fifth amendment to avoid answering a question, his or her compelled responses—or leads or collateral evidence based on those responses—could not be used in any subsequent criminal prosecution of that individual, except a prosecution for perjury, giving a false statement, or otherwise failing to comply with the court order.

An executive branch Declassification Committee, located in the White House, assisted the Committee by reviewing each page of deposition transcript and some exhibits and identifying classified matter relating to national security. Some depositions were not reviewed or could not be declassified for security reasons.

In addition, members of the House Select Committee staff corrected obvious typographical errors by hand and deleted personal and proprietary information not considered germane to the investigation.

In these *Depositions* volumes, some of the deposition transcripts are followed by exhibits. The exhibits—documentary evidence—were developed by Select Committees' staff in the course of the Select Committees' investigation or were provided by the deponent in response to a subpoena. In some cases, where the number of exhibits was very large, the House Select Committee staff chose for inclusion in the *Depositions* volumes selected documents. All of the original

exhibits are stored with the rest of the Select Committees' documents with the National Archives and Records Administration and are available for public inspection subject to the respective rules of the House and Senate.

The 27 volumes of the *Depositions* appendix, totalling more than 30,000 pages, consist of photocopies of declassified, hand-corrected typewritten transcripts and declassified exhibits. Deponents appear in alphabetical order.

Publications of the House and Senate Select Committees

Report of the Congressional Committees Investigating the Iran-Contra Affair, 1 volume, 1987.

Appendix A: *Source Documents*, 2 volumes, 1988.
Appendix B: *Depositions*, 27 volumes, 1988.
Appendix C: *Chronology of Events*, 1 volume, 1988.

All publications of the Select Committees are available from the U.S. Government Printing Office.

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Stenographic Transcript of

HOUSE OF REPRESENTATIVES 187

HEARINGS

Before the

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE

TO IRAN AND THE NIGARAGUAN OPPOSITION

UNITED STATES SENATE

TESTIMONY OF NOEL C. KOCH

Wednesday, May 20, 1987

Partially Declassified/Released on 12-18-87
under provisions of E.O. 12356
by N. Menan, National Security Council

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Washington, D.C.

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TESTIMONY OF NOEL C. KOCH

Wednesday, May 20, 1987

United States Senate

Select Committee on Secret

Military Assistance to Iran

and the Nicaraguan Opposition

Washington, D. C.

Deposition of NOEL C. KOCH, called as a witness by counsel for the Select Committee, at the offices of the Select Committee, Room SH-901, Hart Senate Office Building, Washington, D. C., commencing at 1:30 p.m., the witness having been duly sworn by RAYMOND R. HEER, III, a Notary Public in and for the District of Columbia, and the testimony being taken down by Stenomask by RAYMOND R. HEER, III and transcribed under his direction.

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APPEARANCES:

On behalf of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition:

JOHN SAXON, ESQ.

On behalf of the House Select Committee to Investigate Covert Arms Transactions with Iran:

ROBERT W. GENZMAN

ROGER L. KREUTZER

JOSEPH SABA

On behalf of the witness:

ROBERT M. ADLER, ESQ.

Ninth Floor

1667 K Street, N.W.

Washington, D. C. 20006

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2	26
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PROCEEDINGS

Whereupon,

NOEL C. KOCH,

called as a witness by counsel on behalf of the Senate Select Committee and having been duly sworn, was examined and testified as follows:

EXAMINATION ON BEHALF OF THE SENATE COMMITTEE

BY MR. SAXON:

Q If you would, sir, please state your name.

A My name is Noel Koch.

Q And what is your current employment?

A I'm the president of International Security Management.

Q And what is the nature of that business?

A That deals with security for international corporations, private families and people who may be subjected to terrorist and other kinds of threats.

Q And where is that located?

A It's located in Arlington, Virginia. It has offices in Europe and the Middle East.

Q What were you doing previous to this position?

A I was the Principal Deputy Assistant Secretary of Defense for International Security Affairs.

Q That would have been March of 1981 until May 30, 1986?

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A That is correct.

Q And did you have other positions co-extensive with that one?

A That is right. I had also the position of Deputy Assistant Secretary for Africa Region, and I was the Director for Special Planning.

Q And to whom did you report in those positions?

A As the principal Deputy and the Deputy Assistant Secretary I reported to the Assistant Secretary of Defense for International Security Affairs. As the Director for Special Planning I reported to the Under Secretary for Policy and frequently to the Secretary.

Q And who was the Assistant Secretary for International Security Affairs?

A Richard Armitage.

Q During that entire period?

A No, not during that entire period. He came in, I think, in '83, probably, late '82-'83.

Q He was preceded by Mr. West?

A Preceded by Mr. West.

Q That is Bing West?

A That is Francis something or another West.

Q And who was the Deputy Under Secretary to whom you reported?

A I misspoke. It's the under Secretary.

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Q That would be Dr. Fred Ikle?

A Fred Ikle, right.

Q And to whom did you report with regard to your terrorism duties?

A To Dr. Ikle.

Q And tell us a bit about what that portion of the job entailed.

A I had responsibility for policy related to counterterrorism capabilities, which addresses essentially reaction to a terrorist event and rescue of victims, and finding other ways to make life inconvenient for terrorists. At the same time I did that umbrella was antiterrorism activities which we construed to mean defensive actions, which can be hardware, anything from fences to training people to what things to look for, what things to try to avoid to keep themselves from becoming victims of terrorist events.

In addition, I also had responsibility for the restoration of our special operations forces.

Q Who was your principal point of contact at the White House for your terrorism activities?

A Well, it varied. In fact, it was the subject of a great deal of controversy within the Administration. There was an issue -- I guess it changed over time, John. When Mr. Clark was there, I guess I would have said it

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would have been John Poindexter. It seems to me John was there at the time.

Q When Judge Clark was the National Security Advisor his military assistant was Admiral Poindexter?

A That's my recollection because I recall Poindexter being there from the time we began to have any controversy about the necessity of putting the capability in the White House, that Admiral Poindexter was involved in that.

Q Did there come a point at which your principal point of contact would have been Colonel North?

A That came about later.

Q Okay. If you would, start at the beginning of the story in terms of your involvement with the Iran arms shipment side of these matters and walk us through that, if you would.

A My involvement with the arms shipments to Iran began in early November, as best I can reconstruct it.

Q November of?

A November 1985.

Q And how did they begin?

A They began with a call from the military assistant to the Secretary of Defense, General Powell. He asked me to find out how many HAWKs we had in inventory and where they were.

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Q That's HAWK missiles?

A Yes, sir. And where they were. And my recollection is not clear whether I was asked about the cost or not, but the concern was the number.

Q At that point did General Powell tell you their ultimate destination?

A He did not.

Q And did you ask?

A I did not.

Q Was Israel mentioned as a possible go-between?

A There was no mention of a go-between because there was no discussion of where they were going. It was just a simple question. It could have been related to anything.

Q And what did you do then after General Powell gave you that requirement?

A I called someone in the Defense Security Assistance Agency, Dr. Hank Gaffney, and asked him how many HAWKs we had, and I got the answer and I relayed it to General Powell.

Q Do you recall what that answer was?

A It was, as I recall, it was a fairly gross answer, but I think it was something in the vicinity of [redacted] that were on hand, and then we had so many in depot and so many in the pipeline.

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Q I believe you told us before it was something in the neighborhood of [redacted] Does that sound about right?

A It would have added up, once you took what was being repaired and it would go in excess of that if you considered what was in the pipeline. Do you understand what I'm talking about?

Q Yes. And did Dr. Gaffney give you that in the form of a verbal response or something that was written?

A I think the initial response was verbal and then there was a follow-up.

Q Do you recall whether you and Dr. Gaffney speculated about why this requirement was being imposed or where they might be going?

A No, we had no speculation initially.

Q Was there a point at which your best recollection is that Dr. Gaffney gave you something in writing?

A Yes. It was a refined assessment of this and it would have been within a reasonably short period of time, but I don't know exactly when it was.

Q Let me show you what I would like marked as Deposition Exhibit 1.

(The document referred to was marked Koch Exhibit Number 1

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for identification.)

Take a moment, if you would, to look at that.

(Pause.)

A His own notes I wouldn't have seen in any event, I'm sure, and I don't remember this document. It doesn't have adding on it.

Q The heading is slightly obscured due to numerous instances of photocopying, but it says at the top Point Paper, right up above, HAWK missiles for Iran.

A There is no addressee, no signature on it.

Q That is correct. Do you recall having seen the point paper itself prior to today?

A I know that Hank brought back a paper. Whether it was this one or not, I don't recall.

Q Let me walk you through, if I can, some of the statements in it, and while I understand you are saying that you may not have seen this particular document before today I would really like to have you comment on some of the statements which he makes.

This is, as he says in his cover note, written on Defense Security Assistance Agency letterhead and dated 12 December 86, he recalls that the talking points were prepared by him on or after 19 November 85, at the request of either you or at the request of you and General Colin Powell, and he says they were furnished to

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you to take to General Powell.

A Right.

Q On page one of the point paper, with the heading HAWK Missiles for Iran, he says the missiles at Red River Arsenal cost $300,000 apiece and replacements could cost as much as $437,000. Does that roughly comport with what you know to be the price of a HAWK?

A Yes, I thought, my recollection was it was somewhere in the area of $440,000 and change, so that would be right.

Q About halfway down the page he mentions modality is for sale to Iran, and he says that Iran is not currently certified for sales, including indirectly as a third country, per section 3 of the AECA, which would be the Arms Export Control Act. Would that be consistent with your understanding of the law and policy at the time?

A Yes, it would be.

Q The next paragraph, the paper states: "Congress must be notified of all sales of $14 million or more, whether it is a direct sale or indirect to a third country, and the sale cannot take place until 30 days after the notice." Does that seem to be a correct statement of the Arms Export Control Act and the reporting requirements?

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A That is my understanding.

Q Below that he says "even if the missiles were laundered through Israel Congress would have to be notified." Does that seem to be correct, as best you recall?

A I would not know that.

Q He says "it is conceivable that the sale could be broken into three or four packages in order to evade Congressional notice", and then he goes on to say "while there is no explicit injunction against splitting up such a sale, the spirit and the practice of the law is against that." Do you have any knowledge yourself of whether that statement is a fair statement of the practice as you knew it?

A That is my understanding.

MR. ADLER: Are you asking for his legal views at the time?

MR. SAXON: Just his best understanding as an administrator who had DSAA under him, whether this seems to be -- I'm not asking for a precise legal --

BY MR. SAXON: (Resuming)

Q I understand the question. I'm not asking for that, just whether this generally is consistent with what you understood at the time.

A That was my understanding.

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Q The next page he talks about some of the political drawbacks to such a policy initiative, and he says "If Iraq ever found out, they would be greatly irritated" -- and these are his opinions. Is that a statement with which you would probably agree?

A Certainly.

Q He says that Saudi Arabia and the other Gulf states would also be irritated and alarmed. Does that seem to be a fair statement?

A That's a fair statement.

Q He says "If Israel were used as the laundering country they would be greatly encouraged to continue selling to Iran." Would you agree with that opinion?

MR. ADLER: Is the question, is that his view now or was that his view at or about the time the memo was written?

MR. SAXON: Mainly the latter, yes.

THE WITNESS: I would not have agreed with that. I think the substance of these objections are to try to dissuade, to mount as many objections as possible. I think that is probably one of the lighter ones, that they wouldn't have needed any encouragement to do it if they felt they could or they felt like it.

BY MR. SAXON: (Resuming)

Q In his next statement he says: "If the sale

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became known that bars would be removed from sales by such countries as Spain, Portugal, Greece, the U.K., Italy, Germany." This has reference to our policy called OPERATION STAUNCH or our program to try to get our allies to cease sales to Iran. Would you more or less agree with that statement?

A Absolutely.

Q And then he says: "In short, the risk is that of prolonging and intensifying the Iran-Iraq war." What would be your sense? What would have been your sense at the time?

A Well, I would have thought that that reflected his understanding of the correlation of forces, and it wouldn't necessarily prolong it unless you thought Iraq was strong enough to fight forever, that it might have the effect of shortening it.

Q Do you recall having given him any instructions when you talked with him to prepare a document, a talking point paper, with the express intention of coming out on the negative side, to try to shoot down the initiative? Do you have any recollection of that?

A I don't have a recollection of it. I disapproved as much as I understood it with what was going on and I was preaching to the choir, as it

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happened, within the Pentagon, because everybody disagreed with it. But I don't remember that I told Hank to prepare a document. I could have done this as well as Hank. If I were going to, I would have, but I may have said -- you know, I just don't have a recollection that I did that, but that wouldn't be unusual.

Q Okay. At the point at which Dr. Gaffney got back to you with his initial assessment of the numbers and the inventory, et cetera, did you then go back to General Powell with that information?

A I'm sure I did.

Q And do you recall anything about that conversation -- what you would have said, what he would have said?

A Well, to try to go back a little bit here, I mean, there was the initial request and then I would have gone back, and I don't recall that I asked him questions or that he proffered any explanations at that point. As I said, some document came back. Whether it was this one or another one, I don't know. I'm sure it's this one.

But at some point not too deep into this procedure he did tell me what it was about, and the reason I am a little nonplussed is that I was not aware that at what point Hank became witting of the objective.

Q My understanding is that when you got back

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with General Powell for the second conversation, at least the second one we've discussed this afternoon, after having gotten a response from Dr. Gaffney, that whether you asked or he volunteered, in any event he told you that these were going to Iran. Is that your best recollection?

A That is correct.

Q Do you recall any reaction?

A Yes. I said it was insane and we needed to stop it.

Q Do you recall what his feelings were, whether they were consistent with yours?

A They were consistent with mine.

Q So he likewise would have been outraged, upset, disturbed, bothered?

A Correct, yes.

Q Do you recall whether you asked if Secretary Weinberger knew about this?

A In fact, I did, yes.

Q And what was his answer?

A I think he said yes and that he was equally disturbed about it.

Q And that he likewise opposed it?

A That is correct.

Q At that point was it your understanding that

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these arms were to be sold to Iran or were they to be given?

A Well, my understanding was fairly spotty at the beginning, and it may have accounted for my initial outrage about this, but I thought that they were to be given.

Q So you would have viewed it as a ransom?

A I would have viewed it as a ransom, correct, with virtually no redeeming virtues.

Q Would you have gotten back with General Powell after getting the information from Dr. Gaffney, the same day, the next day, closely thereafter?

A That would be a guess. I don't know.

Q If you were asked to detail your objections at that time to this initiative, what would you have said they were?

A That it completely undercut our position vis-a-vis our allies, who we had been beating on regularly about arms sales to Iran, that it would probably stimulate additional hostage-taking, that it was totally inconsistent with this minimal remnant of any policy that we had with regard to terrorism, which was a policy, by the way, with which I was not necessarily in agreement--this question of not making concessions. My sense would have been it might be useful to as a practical thing not

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make concessions, but not make a big issue of this as a public matter.

Our experience were statements of that sort had gotten our hostages killed in the past, but nevertheless this was our general position. It was the only little shred of cover we had of any pretense at a policy toward dealing with terrorism. It was what was left of swift and effective retribution, if you like.

Q So, to make sure the record is clear, you are saying our stated policy was that we did not make concessions?

A That is correct.

Q Any other thoughts or objections?

A No. We did not pay ransom, which is more to the point. The question of concessions gets to be semantical. You can differ on what that means.

Q So you would have thought that it generally would have been counter to our terrorism policy?

A Absolutely.

Q Would it have been impolitic?

A It would have been impolitic, yes. I want to be clear as we go on here that as this evolved I did not remain in the same position of obdurate opposition to this.

Q I understand. But at the time I'm trying to

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get a sense.

A At the time my understanding was we were going to give these missiles to Iran to ransom hostages which Iran didn't even hold to begin with.

Q Was it your understanding at the time, November of '85, that we had tried as best we could to make life difficult for the Iranians?

A That is correct.

Q And that we had tried as best we could to make it difficult for them to get arms?

A That is correct.

Q What would have been your understanding at the time in terms of U.S. policy toward trade with Iran in general?

A My understanding was that we had no exchange in the area of lethal hardware, lethal materiel. I was not sufficiently familiar with our trade position to know whether there was any sort of non-lethal exchanges between us, and that we were also putting as much pressure as we possibly could on our friends, on anybody that was susceptible to our pressure, to not provide these things to Iran.

Q In terms of arms, lethal materials, is it safe to say there was an embargo in effect at the time vis-a-vis Iran?

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A That is correct.

Q What would have been your view at the time if somebody asked you whether it was "legal" to sell arms to Iran? Here I'm not asking you for a legal opinion, but as an administrative official at the Pentagon what would have been your best sense?

A I would not have known. I would have had to inquire.

Q At what point do you recall Israel being mentioned in all of this?

A I don't believe -- I'm not sure I recall Israel being mentioned within the context of the discussion over the HAWKs.

Q Do you recall there being any discussion with General Powell with regard to the HAWKs of a Presidential Finding pursuant to which the HAWKs might be delivered?

A I don't remember that.

Q What would you say, then, in chronological sequence came next? You have spoken to Dr. Gaffney. You've gotten some input. You've transmitted that to General Powell. What happens?

A The matter of the HAWKs just went away and I don't recall at what precise point that happened. But my practice was not to try to be overly curious about what was going on. I assumed if people wanted me to know

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something they would tell me. The things I needed to know I would ask about, but this was not one of them.

And so I didn't dig around to try to find out what had happened to the HAWK deal, why I wasn't being consulted further or anything else. It just went away.

Q In terms of the HAWKs, is it fair to say that at this point there was no discussion of modalities of transfer, no discussion of FMS sales versus the Economy Act transfers from the CIA, et cetera?

A I have no recollections of those kinds or of that kind in relation to the HAWKs.

Q Do you recall in relation to the HAWKs telling Dr. Gaffney that they were destined for Iran after you learned that from General Powell?

A I do not recall that.

Q Do you recall what numbers were being discussed, how mary HAWKs to Iran?

MR. ADLER: Discussed between himself and Powell?

MR. SAXON: Yes.

THE WITNESS: I guess -- let's see. The information tended to dribble in. I don't know initially what I thought. What I have in my mind is that we were looking at something that totalled out to a quarter of a billion dollars and I don't know why I had that. But in

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the end, as I recall, we were looking at something on the order of 500, I think.

BY MR. SAXON: (Resuming)

Q Do you recall discussing in November '85 vis-a-vis the HAWKs the issue of Congressional notification with General Powell?

A I do not, no. I may have. I don't remember.

Q And I believe you stated with reference to Exhibit 1, Dr. Gaffney's point paper, that you did understand that any sales in excess of $14 million would require notification of Congress; is that correct?

A That's right.

MR. ADLER: Just so that the record is clear, it is my understanding from his testimony that that Exhibit 1 was not a document that he could identify as having seen but it was the point within the document which he har confirmed as being his understanding at the time.

MR. SAXON: Sure. And, to make it clear for the record, from our standpoint I am not asking you to verify the accuracy of any representations Dr. Gaffney made, simply to ask you if it seemed consistent with what you knew or understood at the time.

THE WITNESS: Sure.

BY MR. SAXON: (Resuming)

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Q What do you recall being the nature of your first discussion with Colonel North about any of these matters as opposed to strictly your discussions on terrorism matters and when might such a discussion have taken place?

A This is the best I can reconstruct. I think it was in December.

Q Of '85?

A Of '85, and I think that it came in a secure call from, probably from Ollie to myself -- it could have been the other way. And there was a discussion of what this was all about.

Q Let me interrupt for one second and see if I can help clean this up. Is it safe to say you had no discussions with Colonel North about the HAWKs?

A I don't recall having one. I mean -- well, up until this conversation that I'm discussing with you right now, I don't recall anything.

Q Continue.

A But when we finally talked -- and again my recollection would be it would be December, and this seems to be borne out by this document here for reasons which I can explain -- without trying to give a verbatim recounting of the conversation I can give you elements of it.

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It was to the effect I was very concerned about this, and said so. I saw it as purely a ransom deal. Now we are discussing the HAWKs for the first time, to my knowledge, and we're sort of discussing what's going on.

Q Excuse me. You mean HAWKs or TOWs?

A The HAWKs. And you would have to take these building blocks and reconstruct them and you get a conversation out of this thing, I guess. But one of the points that Ollie wanted to make I had myself and had had for many, many months -- more than a year or two years, I guess -- a great concern about the absence of any sensible policy toward the Gulf, toward Iran most particularly, and I felt that it was extremely dangerous and it was going to be extremely costly to us at some point down the road.

I thought it was a luxury to effectively improvise our way through anything as important as this. I thought that of the nations in the region that Iran was by far the most important from the purely geostrategic standpoint and that we needed to find some way to reconstruct our relationship. And furthermore I felt that it would be necessary to do that while Khomeini was still living.

And this wasn't something I went out preaching

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in the churches across the land, but it was internally my views, and it was shared by other people. There was objection to that at higher levels, but nevertheless that was known. And when we had this conversation it was to the effect of what the hell is going on. And Ollie agreed himself with this problem that we had in the Gulf and having no policy to deal with it and presented his view of the legitimacy of what we were trying to do, and it was this.

It was obviously these hostages, insofar as they seemed to be either within the reach of Iran, they are or they are not. They are there. That's an impediment. That is an impediment on our side that has got to be resolved. There are people in Iran who have to be strengthened, obviously, but we think there are people we can deal with in there.

And this whole thing Bud coughed it up somehow.

Q Bud McFarlane?

A Bud McFarlane and then shuffled it off to me and he went off to make a living.

MR. ADLER: "Me" being North?

THE WITNESS: Me, being North. And this would not be unusual for the simple reason that Ollie was one of those peculiar people who would work, and so we all

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know how bureaucracies run and you find somebody that's willing to work and there's a hell of a lot of work to do.

And so Ollie -- it was plausible, I mean, his explanation that this was one more thing that devolved upon me. Now having some way or some point in this sloppy reconstruction of this thing disposed of the question of the HAWKs, we get into what I think was the point of the telephone call, or before it was all over it was the point of it, and that was the TOWS.

BY MR. SAXON: (Resuming)

Q And in your best recollection when would that call have taken place?

A I can only give you an estimate of that, and the estimate is based on a personal note that I made to myself which says the TOWs were discussed separately with Rudd and Gaffney in December.

Q Let me ask that this personal note be marked as Deposition Exhibit Number 2.

(The document referred to was marked Koch Exhibit Number 2 for identification.)

This bears the letterhead on memo paper of Office of the Assistant Secretary of Defense for International Security Affairs, Africa Region. Is that

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the memo to which you referred?

A That is correct.

Q And Item 1 says TOW discussed separately with Rudd and Gaffney in December, and that is the item you were using to refresh your recollection?

A That is correct.

Q And the understanding being you would have only discussed TOW after having gotten a call from Colonel North with him discussing TOW?

A That would be my -- what would seem to me to be the most plausible construction to place on it.

Q Now if you would then continue with the conversation and tell us what Colonel North told you.

A Okay. So now we got into he said -- the discussion about Bud's role in this thing was not -- it was one of those things that was said with a sigh, kind of resignation -- I've got another hot potato. But then the people that McFarlane had working with him, chiefly Michael Ledeen, he was not quite as kind about that.

Q He, North?

A He, North.

Q What did he say in that regard?

A He indicated that Michael had had, for whatever reason, which he found puzzling, responsibility for dealing with this thing, and that he had --

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Q Meaning negotiating with the Israelis?

A Negotiating with the Iranians. He was in the Iranian deal. Ollie couldn't find out why he had been put in it, and then he said that it was screwed up, that he attributed its being screwed up to Michael Ledeen.

Q Anyone else?

A No. It was Mike. But then he went on to say -- and I believe it was in that conversation -- he indicated that he thought Mike was making money on the deal. And when that came up, then the question then -- Schwimmer was the other name that was associated with that and that there was money in this thing I think was what he indicated.

Q And I understand that you're not making that as your statement and attesting to that, but you're saying Colonel North thought there was some skimming or something?

A That is what he said to me. And part of the problem was that in addition to other things he couldn't imagine why Ledeen was in it, was that Ledeen literally did not know anything about most of the things that he was involved in, least of all weapons.

Q Or weapons pricing?

A Or weapons pricing or terrorism or anything else.

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Q Now what do you understand Ledeen to have done in terms of negotiating the price for U.S. Army TOW missiles?

A My understanding from Colonel North was that he had negotiated a price that was laughably low. I mean, it was simply that there would be no way that you could put a construction on that price that would make it defensible under the most benign efforts to rationalize this.

Q And in a ballpark way what do you recall that figure having been?

A I thought it was something on the order of $2,500. And so he said that you have got to meet with a man, an Israeli, and renegotiate the price and get back to me with this.

Q And did he give you the name of the Israeli?

A The Israeli was a man named Ben Yosef. They had a code name, the Bookkeeper. I don't know why, but at that point I was given a code name or asked to adopt one.

Q Do you know what that was?

A That was Aaron.

Q Aaron?

A Yes.

Q A-a-r-o-n?

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A Right.

Q And did you ask Colonel North exactly what you were supposed to do when you met with Ben Yosef?

A Just to make that price better and get back to him.

Q And at this point were you talking about TOWs to Iran or backfilling the Israeli previous shipment of TOWs to Iran?

A My understanding at that point was we were backfilling a delivery and I think the number was 508. We have always had this eight here. I mean, it always prompted the inevitable question and of course the answer is always simpler, but it turned out to be that is how many would fit on an airplane or something.

Q Did you ask Colonel North that question yourself?

A I don't believe I did.

Q Do you recall him addressing that number?

A No.

Q Tell us then about your meeting with Ben Yosef and would there have been anything else that intervened in the interim between Colonel North saying you were to meet with him and then you met with him?

A I would have had a discussion with DSAA to get a sense of the pricing here and what made sense.

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Q And who would you have spoken with at DSAA?

A I think I probably would have spoken with Glen Rudd. It would have been natural for me to try to compartment my discussions. And then I talked to Hank about availability. I would probably have gone looking very innocent to Glen Rudd and said, suppose, you know -- what's a TOW cost? If you sold it, how much could you sell it for?

Q And is it your best recollection you had that discussion in December of '85?

A If you had asked me prior to my finding this in my diary, I would have said it would have to have been probably in January. I just don't know. All I know is, as I see that it says it, we had the conversation in December. I'm sure I was looking to Gaffney to know where these things might be to pick them up, if necessary. That would be the kind of information that would have to be passed on.

And then I would have spoken separately to Rudd about the pricing and other modalities, and I don't mean in terms of how you move them but are there any constraints on those and how do you do it.

Q Before we get into that conversation, first what is your best recollection of when Exhibit 2 was made -- that is, your handwritten memorandum -- at some point

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later?

A That is my handwritten memorandum and you cannot tell from the copy but from the original you will see that some of this is in pencil. Some of it is in ink. The order of points on here -- you know, it goes one, two, three, four, and then it goes back to the top of the page, five. That is blanked out, but I think I can safely tell you that the reference there is to [redacted] and that would be a point. I can't recall the precise date of that, whether it was December of '85 or what.

But there were circumstances pursuant to that which I recorded there. But then there is point four, which says the TOW paper is locked in Armitage's safe and he wouldn't let Rudd keep a copy. And there again I have -- my best recollection was that Armitage was not in the box until pretty late in this game.

Q By in the box what do you mean?

A That he was aware of what had gone on. In other words, the Secretary had not shared it with him. The Military Assistant had not shared it with him. And he did not know it. So that may mean that I made this note to myself sometime in February or March, whenever he did know it.

Q So your best reconstruction would be February

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or March of 1986?

A That's right.

Q For the record, what was Glen Rudd's position?

A He was Deputy Director of DSAA.

Q The Defense Security Assistance Agency?

A Yes, sir.

Q Now if you would recount for us what you recall of your conversation with Rudd in December of '85.

A Well, the only part of it I can recall, whenever it was held -- and I can't be firm on that -- would have been -- I'm extrapolating from that as much as I can recall, and that would have been I was saying something about this won't work. We have to have a different pricing theory or something to that effect.

Now, as I said, as I extrapolate from that, what I am saying here is Glen is telling me this is what these things cost, this is what we are really selling them for, and I'm in my mind not confident that that price is one which the guy I was going to negotiate with could live with. I wanted to know how much room I've got. I know the floor has got to be somewhere higher than $2,500. I mean, that much we don't know, what the Israelis are reselling them and what's happening. That I don't know until later, and I never did know and still don't know to this day.

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But that that is a question I think is probably not something that entered into this.

Q Do you recall Rudd giving you a price of the least we had ever charged for a TOW missile when we sold it through FMS sales, foreign military sales?

A I don't recall, but I'm sure he did, and I'm sure that that was a higher price than I felt confident I could negotiate.

Q If I told you his recollection is he gave you a price of, on checking the records, of $6,800 as the cheapest price we'd ever sold it before, does that refresh you at all or not?

A That doesn't ring a bell.

Q Do you recall this discussion centering around 4,000 TOWs in terms of number for $12 million in terms of price?

A Four thousand TOWs for $12 million?

Q Which would work out to $3,000 per TOW?

A I remember the number $12 million.

Q Where do you think that number came from?

A I don't know. I don't know. I mean, one sees where it might have come from, but I don't know.

Q Might it have come from Colonel North?

A Well, in terms of sources I couldn't speculate on that. I mean, the point of $12 million is clearly

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below the threshold for notification, it seems to me, if you were trying to stay under the threshold. What I find illogical about this is that you link a number that is under the threshold with a specific number of TOWs so that if it was your object to stay under the threshold and still negotiate a price that was reasonable, that would go through the system without raising eyebrows, that you would say you would divide that reasonable price into $12 million or $13,999,999.99 and come up with this will buy you 2,116 TOWs.

But you wouldn't try to squeeze these things. You've got one constraint and that's hard enough to live with, so why you would put two constraints together and make it an N-squared problem, I don't know. That is what I find difficult.

Q When you went to see Glen Rudd did you go to him for any particular reason? In particular, did you go to him because General Gast, his boss and the Director of DSAA, was out of town and he was the acting director, or would there have been another reason to go to him?

A I don't remember where Phil was. I would have gone to Glen as a matter of course because what I would have gotten from Glen is on the one hand a very comprehensive -- a very comprehensive answer -- and yet a short one. He was very knowledgeable and very

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professional -- bing, bing, bing -- and wouldn't have asked any questions and I assume would not call around saying what does Noel want.

Q Do you recall at that time telling Mr. Rudd where these TOWs were destined for?

A I don't recall that. I may have, but I don't recall that.

Q And do you think that your discussions, your discussion or discussions, with Glen Rudd would have been preparatory to your discussion with Ben Yosef?

A Yes, I think so.

Q Do you recall discussing with Mr. Rudd the issue of Congressional notification?

A I don't recall him discussing it, but I would be virtually certain that it would be one of those things that he would have raised with me. It wouldn't have been a concern of my own. I would have had other concerns.

Q Do you recall him saying something to you like the Israelis can manufacture the basic TOW themselves and are now purchasing from us improved TOWs or I-TOWs and TOW-IIs and therefore if we sell enough of these to exceed the reporting threshold and have to report to Congress it will appear transparent because the folks up there are pretty savvy and they will know these are not ultimately intended for Israel but are destined to be

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transferred somewhere else?

A I don't remember that. And let me say is resonates, but I can't recapture it.

MR. SAXON: Let's go off the record a second.

(A discussion was held off the record.)

MR. SAXON: Let's go back on the record.

BY MR. SAXON: (Resuming)

Q Do you recall any discussion whatsoever with Mr. Rudd about notifying the Congress?

A I am sure that he brought that up with me, that this is one of the things that had to happen in order to get it done, but I don't think it was brought up in the sense that this is how you would avoid it, avoid notifying the Congress.

Q Do you recall any discussion about the need to make this a covert operation, perhaps transfer the missiles from the Army to the CIA as a means of avoiding notifying the Congress? This is with Glen Rudd in December.

A No. I don't have a recollection, but I do have my notes and I have a note here that said "Gast said the best possibility of cover was do it black."

Q By "do it black" that means what?

A It would have been through some covert means, and it would most likely be under the Agency.

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MR. ADLER: Would it be helpful -- I don't mean to interrupt your examination, but his handwriting is only slightly better than mine and mine is the worst that anyone has ever seen. Would it be helpful to have him just read this memo into the record?

BY MR. SAXON: (Resuming)

Q Sure. If you would then read everything after the letterhead and the memo, read Deposition Exhibit 2 into the record.

A All right. Point one is "TOW discussed separately with Rudd and Gaffney in December." We go to point four, which says "TOW paper locked in RLA's safe, wouldn't let Rudd keep copy."

Q Let me interrupt and ask who RLA is.

A That's Richard Armitage.

Q Let me also say for the record that the House and Senate counsel understand that the items that are blacked out have no relevance to these proceedings and we have agreed to this arrangement. Continue.

A There is a line and then there are notes which appear to pertain to these two above points. The first says: "Original was 3,000. Definitely this much in stock." The next line says: "No way to keep transfer secret." The next line says: "Gast said best possibility of cover was do it black." The next says:

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"Through Israelis would attract notice -- even if we try to waive section 36(b) (notice to Hill)."

Q And that would be section 36(b) of the Arms Export Control Act?

A That is correct. The last line says: "CIA purchase (through ACSI?) and transfer which is contracted."

Q And what would ACSI be?

A I can never remember -- the Assistant Chief of Staff for Intelligence.

Q And what are those last?

A The last squiggle at the bottom says: "Replace with TOW-II." There's a word which could be "completion of sale" or it could be "condition of sale." There is a number, which is $45 million. And then there's another word under that which appears to be "scattered". And then there is a note which is a calculation that says "four C-130s equals 500", which would mean that you could put 150 TOWs on each C-130, or 125, I guess.

Q Do you recall going away from your discussion with Mr. Rudd in December of '85 with the sense that the best way to proceed was for this to become a covert operation?

A No, I don't recall that precisely. I will

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tell you -- and again I tend to telescope dates and discussions and so forth -- but I have a recollection that as part of my conversation with Glen, whenever -- I mean, at some point obviously the question of Israel's involvement in this thing was there and that we were talking about how to make it simple, and the question was why is it not possible to simply, you know, whatever the Israelis are doing, they are doing, and they purchase this thing in a straight FMS buy and then they make the transfer and we can write that off to TOWs are consumables in a place like Israel. They use them up in Lebanon or in training and so forth and so on.

So this is just a replenishment. Now one can see how that might have prompted Glen to say well, we're going to replace them with basic or whatever the intent is to replace them with basic and then you run into the fact that people they are manufacturing their own basic.

I have on this note, as you see, replace with TOW-II. That could mean a number of things. It could mean likely, meaning that it was necessary for us to replace in our own inventories the basic TOW with the TOW-II. Again, I don't know. Or it could mean, I guess, that we would have replaced the basic TOW that they were selling to Iran with TOW-II. I just don't know.

Q Were you ever made aware or do you know that

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the 508 TOWs the Israelis transferred to the Iranians in 1985 were TOWs that they had received from the United States under FMS sales?

A It was always my understanding that the initial transfer, and in fact it was not even clear to me but what they had not gone ahead and done that deal prior to any of this discussion.

Q That gets to the point I want to ask you about. What would have been your understanding at the time, if in fact it differs from your understanding now, of any kind of preclearance that would have been required on the part of the United States to give a go-ahead to the Israelis to make that transfer, if they had received those TOWs under FMS sales? Are there any requirements that they get approval from the United States to transfer them to a third country?

A Well, if we had an embargo they would have, I am pretty confident, at a minimum be required by national disclosure policy to let us know. I mean, we had to disclose and anybody that we provided to who provides to a third country it seems to me has this disclosure obligation, and so there would have been that. And there would have been, of course, the existing policy of an embargo against Iran that would have to be circumvented in some fashion.

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But let's be clear in all these things in what we're dealing with so far. We were still in an informational mode. I mean, I'm asking for information and I get information. The first time I go outside that is in this discussion with the Bookkeeper.

Q Before we get to that -- and I do want to get to that -- if I told you that the law that governs FMS sales requires prior approval by the United States for a recipient country to transfer to any third country, would that seem to --

A No, no.

Q That's correct?

A That's correct.

Q And has the President not delegated that authority by Executive Order to the Secretary of State?

A That is correct.

Q And as far as you know did Secretary Shultz ever give approval to the Israelis to transfer these TOWs to Iran?

A I have no way of knowing that.

Q And in fact isn't the contract that a country actually signs for FMS sales, the letter of acceptance and contractual document with the DSAA, doesn't that contract actually require the approval in writing?

A Yes.

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Q And you don't know whether --

A And there's a time delay here in which you have to notify and then there's time, I think, for the Congress to make its feelings known.

Q A 50-day period, with 20-day advance notice?

A And thirty days, yes.

Q And your statement is you don't know whether those provisions were compiled with?

A No, I don't know. I mean, to have raised the question is to have suggested your government is going to break the law, and so I would assume whatever things you required in terms of compliance that at some point it would be taken care of.

Q Let us go then to the discussion with Ben Yosef. You apparently would have gotten the necessary factual information from Mr. Rudd as prefatory to that meeting.

A Right.

Q How did this meeting then come about? Did you place a call or did he call you?

A I think I called him. I don't remember because Ollie worked both sides of the link. But, at any rate, we spoke.

Q Walk us through this, if you would.

A We talked. The conversation on the telephone

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would have been rather cryptic. There's a question whether I should go to New York or he would come to Washington.

Q Was he operating out of New York?

A He was in New York. And the circumstances were such at the time -- I mean, clearly this was not something that I could go down to travel and say I am going to New York. I mean, I could have done that. I could have covered or I could have flown up on my own, but I just didn't feel like going to the inconvenience, and I suggested he come to Washington, which he did.

We met at the passengers' lounge, the first-class lounge, the TWA lounge at National Airport.

Q Were you able at all to date this meeting?

A No.

Q Can you give us a ball park?

A Well, I'm going back to my note here which says I discussed this with Rudd and Gaffney in December. I'm sure that part of that discussion was pursuant to -- I mean, I shouldn't say I'm sure. I don't want to be that categorical about this, but it seems to me very probable.

Now if I could take a look here, and let's look in there as well, but let me quickly go through.

Q And, for the record, you are looking right at

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this moment at what?

A At my daily logs, my appointment book. These were kept by my secretary. They are complete except with circumstances where I would walk out of my office and not tell her where I was going or if I did something on a weekend.

Q Your meeting with Mr. Yosef was on a weekend; is that correct?

A That is my recollection, yes. Now I am through November and I am sure there are places in here that I could recognize the beginnings of all of this.

MR. SABA: Could we go off the record for a moment?

(A discussion was held off the record.)

MR. SAXON: Let's go back on the record.

THE WITNESS: I have a meeting on January 7 at 2:00 with Hank Gaffney, which is briefly interrupted by one of my Africans, and then we go back to this meeting with Hank Gaffney. At 2:44 I meet with Glen Rudd and I would suspect that these were two separate meetings. And I would be reasonably certain that the TOW were the subject of these because I don't remember in that period of time that we had anything. I mean, as a matter -- I didn't deal with DSAA on a regular basis. It wasn't a daily thing.

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It was at one point.

BY MR. SAXON: (Resuming)

Q So as I infer from what you are saying, your best sense is you would have had no reason to meet with both Gaffney and Rudd together or back to back other than this topic?

A I think so, yes, particularly Gaffney.

Q And that date was January 7?

A January 7.

Q And, for the record, I'm not sure if we said what was Dr. Gaffney's position at that time.

A I'm not sure. Was he head of operations? Can you tell me, help me out?

Q Would he have been Director of Plans for DSAA?

A Yes. Okay.

Q Continue.

A On Wednesday, January 8, this is the day after the meeting with these two guys, I have a meeting with General Powell at 11:00 and my secretary has a notation here that I've gone with a paper. That may have related to this. On the 9th, at 1:00 in the afternoon I go down to see Glen Rudd. Usually that wouldn't have been scheduled. I would have just walked down and said I was going to see Rudd. So there's a lot of ad hocing in here, which would be consistent again with discussions.

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On the 10th at 10:35 I meet with Colin Powell again.

Q What day of the week was the 10th?

A The 10th I think was a Wednesday. No, it was a Friday. I'm sorry.

(Pause.)

You see, in this period of time it's a little confusing because I was putting on a conference at Ft. McNair on the 15th. There was a dinner on the 14th and I had written the Secretary's speech for that and this was a fairly big deal for us. This was a special operations/low intensity conflict conference, the first one we'd had, and I had him and Shultz and people like Ted Koppel and others come to this thing. And so I have a notation here at 9:50 to SecDef, but she has a question mark next to it, and I don't know whether I saw him then or not. I saw him certainly at 3:30 the same day.

I only raise that because there's the possibility that after the series of meetings with Gaffney and Rudd and Powell through the week of the 6th of January that I may have met with Ben Yosef on the weekend, either the 11th or the 12th of January. That's possible. But if I did, then of course I don't have phone logs and it may not be in the log anyway, and there is no indication on the 13th that I talked to anybody

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about that.

The first time would have been on the 14th. Now we go forward to wherever we were and I'm out of town, and there is a considerable hiatus in here now until Friday the 24th. I go to see Colin Powell and that could have been anything.

Q So your best sense is that you very likely met with Ben Yosef the weekend of January 11 or 12?

A I would say that would be likely.

Q Do you recall if it was?

A Not absolutely.

Q Do you recall if it was a Saturday or a Sunday?

A I don't recall that. It might well have been. I'm sure it would have been a Sunday. I would guess a Sunday.

Q If you could then tell us what transpired in that meeting.

A Well, there wasn't much preliminary discussion because we both knew why we were there and that it involved coming up with a different price than had been previously negotiated by Ledeen or, to my knowledge. And so I said whatever the floor was. I knew what it was. I think it was $2,500. And I had a bargaining position in my mind and I had an absolutely irrevocable floor, one

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that I would not go past, and that was -- I think that was $4,000.

Q And what do you recall is your goal that you were shooting for? What was your upper price you were trying to get it up to?

A Well, I wanted to get as much as I could, but I'm sure that I didn't go over $6,000 and it may not have gone that high.

Q Now tell us why it was necessary to get the price up. What was Colonel North telling you in terms of the need to get the price up?

A He never said anything about the need to get the price up. The price had to get up to the point where it wouldn't raise eyebrows, the eyebrows of the people from whom we were taking the TOW.

Q So basically you had to get it up high enough to get the missiles out of the Pentagon?

A Yes, pretty much, or at least to have a defensible position or defensible price on these things. You couldn't give them away, you see.

Q I believe you put it before that it had to be high enough for the person to have a credible argument to work with when he went to Secretary Weinberger to sell him on the idea. Does that sound about right?

A That is a reasonable construction. But as far

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as the Israelis were concerned, I mean, I don't know. I didn't know what their value was -- whether they were reselling them or what or how much for and the rest of it.

Q Did you in fact ask Yosef if they were making money on this deal, what they were selling them for, et cetera?

A Yes.

Q And what was his reaction?

A He was noncommittal and I did not ask the question in a very severe way. I mean, I assumed -- at least I think I assumed, and I'm not even sure yet whether it was clear that these were being sold rather than given and exactly what all the details were, but I believe it was they were being resold. Colin certainly thought they were being resold. In fact, for sure that was a part of the discussion.

And he and I both said yes, they probably are making a killing on this thing.

Q Do you recall him telling you that Secretary Weinberger also believed they were making a killing?

A Yes.

Q Do you recall when that conversation would have been?

A Well, it would have been preparatory to my

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meeting with Ben Yosef, whenever that was, and so in the conversations with Ben Yosef he is trying to keep the price down where it was. I don't know whether there's any reference to the previous negotiation, and the authority of that negotiation. I don't recall that. But at length we came up with the number that I could take back and that he felt he could take back.

Q Do you recall him making a comment or do you know whether Ben Yosef was involved in the earlier negotiations with Ledeen?

A I don't know. I'm not sure whether he was or not. I had the sense that he was. At any rate, he was in the loop. He was in the loop clearly before I was.

Q And what price do you recall agreeing upon?

A $4,500.

Q And was anything put in writing in that regard?

A No. No. I mean, I had no absolute authority. We weren't there to cut a deal. We were there to prepare the ground for one.

Q And I believe you made a statement something like "and I assume you guys are making a profit".

A Well, in the course of the negotiation I said, Christ, you know, we don't know what you guys are making on this thing. I can't believe you're doing it for

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nothing, or something like that. And he didn't say. I mean, he may have said I don't know, and he may not have known.

Q Had you told General Powell before this meeting that you were going to be meeting with Ben Yosef?

A I don't remember that. I had a couple of meetings with Colin or had at least one meeting with Colin at his house. I may have met with him at his house after I met with Ben Yosef, for all I know.

Q Did there come a time, though, shortly after this meeting when you thought you might should tell General Powell in case you hadn't and maybe even --

A I'm sure I did, yes.

Q Did he suggest maybe you ought to inform Secretary Weinberger?

A I'm sure he did that, too, and I mean I can't put it all together very well, but what would be strange about it -- I mean, I would have figured I will tell Colin. Colin will tell the Secretary. But in this case I know I carried this back to Colin and he said we'd better go tell the Secretary. And so I went in with him.

Q And that would have been the three of you. Was anyone else at that meeting?

A Taft was in there, and I guess he was afraid he was going to miss something, so we couldn't get him

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out of there. We waited for a while and he didn't take the point.

Q That would be the Deputy Secretary of Defense, William Taft?

A Yes.

Q And did you immediately jump into the topic?

A Well, we sidled into it in a way that would have suggested to somebody of normal sensitivity that maybe their presence was not required. But that didn't work, so finally we said we talked to the Israelis and this was the price we came up with.

Q And did Taft at that point seem to be witting of the topic you were discussing?

A Well, you never can tell with Taft.

Q Tell us what you recall from that discussion with Secretary Weinberger. Would this have been in his office?

A Yes. My recollection is -- I have a recollection there were at least two meetings with Weinberger in his office. Now it may have been at this one or it may have been at another one. I don't remember anything distinctive about either of these, except that I do know that there were at least two, and that this one-- I believe it was this one -- the Secretary was extremely agitated about this.

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And, as I indicated, my concern always had been that the political dimensions of this thing and what it was going to do to our position with our allies and what it was going to do to our position in terms of dealing with this problem of terrorism, and I thought those were his concerns. I mean, he made it clear he didn't like Iran and he hated the Ayatollah. He wanted to discuss the question of any efforts at a rapprochement. That was one of the impediments, was Weinberger's views on this thing.

And so only because I had been through Watergate and I guess he had, and there was kind of an understanding because we had had, in the very little bit of chat we had ever had previously, things related to Watergate came up. And so for no reason other than that I said, I mean, he said this is a disaster and it should be stopped and so forth.

And I said --

Q Did he say something along the lines of it would be terrible for the country?

A Yes. Well, yes, he did. And again I thought this was all related to our credibility on the international scene. But I said not in any awfully serious way, but sort of semi-jocular way, are we apt to go to jail over this. And I don't know whether he looked

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at me or there wasn't an immediate follow-up and one of us or the other sort of said, you know, like what does this mean? Is there a legal problem with this? And he said yes.

And then I think he said something like, yes, we could go to jail, or somebody could.

Q At that point was there any discussion about whether this had been blessed at the White House by a Presidential Finding or by a legal opinion from anyone?

A My recollection is the Secretary did say that the President wants to do this because I felt that I was in an awkward position. I wasn't making it any easier. Weinberger, as nearly as anyone could discern, clung to this question of the pricing of these missiles and the necessity for us getting a replacement price, which could range up to something on the order of $13,000.

And that was one of the things that he saw as a possible impediment. I don't know. I don't know what was in his mind, but it was clearly understood by me through whatever means that this was what they were going to have to pay us for these missiles, and so I had undercut that by negotiating this price of $4,500, which, whatever it was, was defensible. It paid for the missiles. It was more than we had paid for the missiles.

And so I probably would have had a certain

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amount of sensitivity to his feeling that I had undercut this, so I said it was my understanding that the President wants this and he confirmed that, yes, he does, but it's wrong. He said that this is crazy.

Q You don't recall, though, a mention of a Presidential Finding?

A No.

Q And you don't recall mention of the Attorney General has looked at it and he said it's legally kosher?

A I don't remember that being discussed.

Q When you said you knew the price of $4,500 was more than we paid for them, what do you mean by that?

A Well, that harkened back to the discussion that I had with Rudd and what I was looking for was some way. I mean, what you were dealing with in a certain sense there are aspects of this which are somewhat arbitrary. The question of paying replacement costs in my mind, you know, I could do this a lot better than you guys, was a theory.

And it seems to me that your point of departure would be what did we pay for these things. Are we losing money on the deal? I mean, are we giving them away? Are you going to have a problem with that? And so what we paid for them, as I understood, was something $3,300, $3,500, something like that. But after you put

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the bells and whistles on them they peaked out around $3,800, $3,900.

Q So when you say that you got reference to the price we actually paid for the basic TOWs that were in the Army inventory at the Army depot --

A And that is what we were going to sell or divest ourselves of in some fashion.

Q And if I gave you a price of $3,469 for those, that sounds about consistent with what you recall?

A Yes.

Q Do you recall in that session with Secretary Weinberger at which Mr. Taft and General Powell were present Secretary Weinberger making any comment about the arms exceed the Economy Act and that we would transfer these to the CIA under the Economy Act and any hope on his part that that might in some way be an impediment to this?

A I do not recall that. There might have been some conversation between Colin and myself. Again, it would have involved modalities, I mean, sort of in the sense that if you are going to do it, how is it going to be done. But I don't recall that.

Q When were you made aware that there had been a meeting at the White House in early December of '85 with the President, Secretary Weinberger, Secretary Shultz,

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Colonel North, Mr. McMahon, the Deputy Director of Central Intelligence, to talk about this? You were not aware at the time?

A I was not aware at the time, and I don't know. It was so long after the fact that it was totally out of the calendar context of this thing that I guess I was surprised, when I heard that such a meeting had been held.

Q And when you had this meeting we have just been talking about with Secretary Weinberger, were you aware that a meeting had been held in early January with more or less the same principals -- Mr. Casey was there in this meeting in place of his deputy -- and they had agreed to and blessed the project and a Presidential Finding resulted?

A I think I knew at the time that there were meetings on this thing and that Weinberger had tried to murder this whole thing and had not succeeded. But the timing, who the players were, and the outcome, the rest of it, I didn't know. I mean, I just had a general sense that part of the Secretary's agitation related to losing the battle.

Q And when you left that meeting with Secretary Weinberger, General Powell and Secretary Taft, was there a disposition of things? Were you given some action items to go forward and work? Where were things left?

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A I don't know. I didn't have an action in this thing other than, as I said, I did that negotiation. Then what were the next steps? I don't know, and I didn't know. I think Colin then enlisted the Army in this thing and whether that deal went through and if it went through at that price, these are things that I don't know.

Q Let me have you mark as the next deposition exhibit a document which we have obtained from the National Security Council that bears the number at the top N-1331. That is the Senate Select Committee's notation for NSC documents.

(The document referred to was marked Koch Exhibit Number 3 for identification.)

You've seen this before last week. It, we believe, is a document prepared in the handwriting of Colonel North. Let me ask you for the record do you recall having seen it prior to last week when we showed it to you?

A I do not.

Q Now you'll see, a third of the way down the page, there is a heading in what we believe to be Colonel North's handwriting that says "people who know", and then there are a dozen or so names, and I will read them:

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Shultz, Weinberger, Powell, Koch, Casey [redacted] McMahon, Allen, Gates, RR, JMP, Don R., Don F., VP, Peter and Howard. Now where you see Weinberger, it is broken out separately with two names under it. What would you take that to mean in terms of those two names?

A Well, without a date on this thing I wouldn't know. It could be that we were the only ones who knew about the President's surprise birthday party.

MR. ADLER: I would interpose an objection. You are asking him to speculate about a document that he didn't write and he has had no connection with.

MR. SAXON: Fine. I withdraw that.

BY MR. SAXON: (Resuming)

Q Let me ask you in the time frame of early 1986, do you have knowledge that any of these individuals knew about the arms shipments to Iran?

A I knew that the Secretary did, that General Powell did. I knew that I did. And I believed that the President did and Admiral Poindexter did.

Q From your own personal knowledge were you aware that any of these other individuals would have known about the arms shipments?

A I'm not sure, Mr. Saxon. I mean, there were occasions in this whole thing when Colonel North would make reference to Mr. Casey, but those things kind of

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float around in the cosmos here. I don't know that I could nail them down. I mean, at some point I had a very strong certainty that Mr. Casey did know, but in the framework of what you're asking me -- I didn't mean to be flippant, but I can see from the context, this rationale, you see, there's never any reference to hostages here, and Ollie in his thinking, or at least his thinking when he wrote this, had to do with what we hoped to accomplish if this thing went through and hostages were very much a second order of consideration.

Q Let me ask you a few questions about your relationship with Colonel North and some things he may or may not have said to you. Do you recall a conversation in December of 1985 in which he talked to you about how the issue of the hostages might have been weighing on the President?

A Yes. And that [redacted] that may add weight to my [redacted] that this discussion about the TOWs did occur in December, but it is important to know that on a very consistent or a regular basis you can see from my logs here, and if you read my phone logs you would see, that Colonel North and I talked a lot. We met a lot on circumstances that surrounded a lot of these things.

Q So it may very well be that you are saying that statement he made to you was not in connection with

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the conversation about TOWs?

A It may not have had anything to do with TOWs, but that's one possibility. The other possibility is that was just a general comment. You know, Ollie was always -- I mean, he worked himself. He just worked very, very hard and one always had a sense that you just sympathized with the guy never getting any rest and not seeing much of his family, and having to carry the load that everybody shoveled off on him.

So that I said at some point how are you doing or how do you feel or whatever, and whatever it was, he said that the hostages, that it's driving the President nuts, and words to that effect. And he's on me all the time and he's driving me nuts. And he said he wants them back by Christmas.

Q Meaning the President wants the hostages back in the U.S. by Christmas?

A That's right.

Q And that would be late '85?

A That would have been late '85. And I said, you know, can we do it? And when I said "we" I don't know whether I made that collective, but I said can we do it, and he said I think so.

Q At any point when you were talking with Colonel North about TOWs, HAWKs, things that specifically

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pertained to arms shipments to Iran, whether direct or indirectly through Israel, do you recall any statements he made about the President's role, the President's desire that this happen, the President's having mandated that it be done, et cetera?

A No, I don't recall that. I don't recall him telling the President the specifics of this thing other than he wants the hostages back.

Q Do you recall any statements he may have made to you, more or less the same question, with regard to Admiral Poindexter and the arms shipments?

A About John knowing about the shipments?

Q Yes.

A I don't recall him saying anything about that.

Q And did he ever make any statement that would indicate he knew you might be in an awkward position in that you worked for Secretary Weinberger and worked at the Pentagon but that the Secretary was fairly adamantly opposed, I think it would be fair to say?

A No. But as time went on, once Armitage got in the box on this thing, of course, he was always very diligent about ingratiating himself with the Secretary, and so he immediately decided this was all crazy and it was all nonsense and whatever bad words Cap had for it, Rich always squared them all. So that obviously injected

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a certain amount of tension into this thing, because Armitage's manner of dealing with this was not simply to criticize what was being done but to criticize the people who were doing it, and that meant saying that Ollie was crazy and everybody knew it, and it was part of his service record and that Jim Wick could tell you, and that all his decorations were fraudulent and things to that effect.

So it introduced a degree of tension into this thing.

Q What is your understanding of when Mr. Armitage came in the box, as you say?

A Well, I don't know. I don't have -- the best I can deduce from reading, from reading the footnote in the Tower Commission report he wasn't in it in '85. I don't want to get too much into speculation, but I think that what I do recall is that there was a point where I was away. I was TDY and Colin said -- he and I had a conversation on the phone about this, and it was an open line. It was a very cryptic conversation. And he said I'm going to have to tell Rich. I need to get something done. I'm going to have to tell Rich because you can't do it your way.

And as I look at my book here and I see the one place that I was TDY for a long time was --

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Q Your recollection is it might have been about the second week in February of '86?

A No. My recollection now, having gone back and looked at these -- let me just look at this thing quickly.

(A discussion was held off the record.)

THE WITNESS: I go away to Europe on the 28th of February, and then I had to go to Berlin on a matter, and so I was stuck there and I didn't come back until the 11th of March. And now I'm coming back on short rations and I'm tired, and I get in to Dulles at 1710, and my home is closer to Dulles than the Pentagon is, I can assure you, but rather than go home I am met there by a Pentagon driver and I go to see Colin Powell at 6:45.

BY MR. SAXON: (Resuming)

Q And your best recollection is that during that period when you were in Europe --

A I think that is when Armitage got in the box.

Q And did you actually work with him on any of this, coordinate with him?

A No.

Q Let me ask you to take a look at what I will have marked as the next exhibit, Exhibit 4.

(The document referred to was marked Koch Exhibit Number 4

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for identification.)

This is a draft of the testimony to be provided by Director Casey, who you see in the upper righthand corner, DCI, 20 November 86. It says Iran Testimony to be delivered 21 November. I am not giving you the full text because it is not relevant, but I have given you the cover page and then a page which bears the Senate Select Committee number C-5210, which means CIA document, page 5210.

If you will look at the first full paragraph on the second page, it says "using these procedures" -- which were described above -- "funds were deposited in the CIA account in Geneva on 11 February 1986 and on 14 February 1,000 TOWs were transported to Israel for prepositioning. These TOWs were transferred by CIA from DOD U.S. Army stocks in Anniston, Alabama, and transported through [redacted] using standard CIA/DOD [redacted] logistics arrangements. Policy level coordination for these arrangement was effected by NSC (North) with DOD (Armitage and Koch) and CIA (Clair George)."

I'm not asking you to vouch for the accuracy of that, but this is reflected in Director Casey's testimony and it strikes me as a bit curious because -- what do you think could have been any involvement you and

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Mr. Armitage had? Was it none?

A We had no joint involvement with this. I did not include him in anything that involved terrorism or special operations all the way to the end. He wanted very much to be a part of this and where he could collect information that related to something that I might be doing he could come by my office and wanted to create the impression of being knowledgeable and want to talk about it, and of course we were friends, and he would see if he could peter that out.

Q And is it possible he could actually independently have had a piece of this?

A It is possible. I'm a little surprised at the date, although it's possible. I mean, there were other periods in which I was TDY. There was never one that was as long as that. That concludes with this great punctuation mark of my coming back and going right to see Colin Powell and Colin Powell being in the building waiting to see me. That is what makes me think that it was that one, that is in March, and this could be wrong. I don't know. I don't have to accept this. As a matter of fact, it isn't made clear.

Well, okay. This is on Valentine's day. I don't know that he had it right. I think in some cases there was a lack of awareness of how this special

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planning system worked and since I was the principal deputy in ISA, that may have been in some quarters and we left it that way because it suited me to have them think, to be wrong about it, to suppose that it was under ISA but it was not ever under ISA. And I was very specific at the beginning, when we set this up, that it was not be under the Assistant Secretary of Defense, and that was agreed to.

And so I don't know --

MR. ADLER: What was the question?

THE WITNESS: The question was were we working on this thing together at this time and the answer is no.

BY MR. SAXON: (Resuming)

Q Let me make clear that I'm not vouching for the accuracy of that and I'm not trying to impeach your statement by showing that you did. I'm simply saying that one particular account says that the two DOD people who may have worked this were you and Armitage and that maybe you did that with no coordination between the two of you. I simply wanted to know if you recall any coordinated effort with Armitage, and your statement is no, and that is acceptable.

A It is a wrong construction utterly, because this whole notion of policy level coordination, we didn't really coordinate, you know. The Secretary didn't want

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to do this, so our position was de minimis from the beginning and it was a question of finding out where are and then figuring out how much you have to charge for them.

And then actually a decision moved then. That I didn't get involved in and I didn't think -- Armitage may at this time may have known something about it, but I'd be surprised. My understanding was the guy who pulled the levers was Colin.

Q Let me ask you to reflect on a meeting you attended in early February of 1986 at the White House, I believe on the 8th or 9th of February 1986, and we have talked about that before. What do you recall about that meeting on this topic?

A I think as a result of having my memory refreshed on this I recall that General Secord was there and there was a representative from the Agency there who was not normally part of these meetings, and this was [redacted] and that [redacted] was the expediter on the Agency side, and Secord I had only somewhere in that period of time come to know that he was involved in this at all.

And there was a discussion of sorts about where things were and how things were proceeding.

Q Let me offer as Deposition Exhibit 5 a document that is a CIA document. In the upper right

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corner of page one it bears the number C-4531, which means that it is part of the Senate Select Committee's files received from the CIA, and this particular page is numbered 4531.

(The document referred to was marked Koch Exhibit Number 5 for identification.)

It bears the title of Working Draft and it is dated 3 December 86 and purports to be a chronology of CIA involvement in the Iran-contra affair. I have not included the entire document because it is not relevant, but if you will look at what is page two for you you will see a paragraph with the date notation 8-9 February 86. Let me give you a moment to read that.

(Pause.)

Have you had a chance to read that?

A Yes.

Q Does this seem to refer to the meeting I just asked about?

A Yes.

Q As far as you recall, is this statement an accurate reflection of what transpired?

A Yes.

Q Is there anything else you can recall about that meeting?

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A No. I'm trying to remember the details. As I recall, Ollie had a very precise timetable which he had related to me on a secure phone.

Q Meaning shipments this day and release this day?

A Yes. They get so much and we get so much. And, if I'm not mistaken, all of this was to conclude with -- it was to conclude with us getting Bill's body back.

Q Bill meaning Mr. Buckley?

A Mr. Buckley, yes. But it would be concluded with some kind of a meeting between ourselves and representatives of Iran. And again we were not -- at least I was not, and my sense was that the others were all looking towards advancing of rapprochement with Iran, and I don't know whether that was discussed in that meeting or not. But when Ollie would talk about the timetable that is where it eventuated.

Q As I understand what you are saying, then, your testimony is that it would have culminated in some meeting with some officially sanctioned government delegation meeting with a government delegation?

A Yes.

Q Was that given any kind of date? Was there an end time frame to what you recall about these

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transactions?

A Yes. Eventually there was. In fact, I have some difficulty now with the timing on this thing. I just don't recall when this was discussed, but I do know that it was all supposed to stop with some kind of a restoration of relations.

Q Do you recall being made aware of why General Secord was at that meeting?

A No.

Q Do you remember if it was mentioned at the meeting?

A No, I don't. It was a part of it that -- I mean, most of it I wasn't paying a hell of a lot of attention because it seems to me it involved logistical questions. I'm not sure. When do you move this stuff, how do you move it, and what's going on at the other end?

Q Do you recall if you were aware prior to that meeting that General Secord had some role in this?

A Ollie told me, not in the first conversation, I think, but in some subsequent conversation that we had, that the guy who was running it was Dick, because I said do we have somebody who knows what the hell they are doing, and he said yes, somebody you would have confidence in. I said who, and he said Dick Secord.

Q When he said he was running it or whatever the

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statement was which came out along those lines, do you recall what, if anything, else he said?

A I don't remember very well. I mean, it should be clear that there are big gaps in my knowledge of this thing. Ollie had this thing rigorously compartmented and this is the way this work is done. If you do this work, you know if somebody's not telling you something then you don't need to know and you don't ask. I mean, it requires a suppression of curiosity. So I didn't know exactly what Dick was doing and I didn't ask him either.

Q But it is your sense that at the time this meeting took place in February of '86 that you would have known he had some role in it and therefore it was legitimate and appropriate for him to have been there?

A Yes. I knew before he was there that he was a player.

Q You referred, I believe, to this meeting earlier as [redacted] Is that correct? I don't mean today, but earlier. And your sense is that that was the group that was meeting on this particular occasion?

A I think we expected to meet, that that is what I thought I was going over there for. It wouldn't have been unusual to be invited, I guess, to a meeting that you thought -- you know, that you were mistaken about

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what its purpose was.

Q The [redacted] later became what? It became a different group by a different name?

A Well, let me just point out to you, Mr. Saxon, before we go any further that this -- wait a second. This is '86, right? Or is it '85?

Q '86.

A It is '86. And this book is '86, and the reference here is to a meeting held the 8th and 9th of February, this meeting was held, but the dates are wrong. The 8th and 9th is a Saturday and Sunday. I don't recall having any meetings in the EOB on this subject on a weekend. I may have done it, but I would be surprised about that.

The question on [redacted] anyway, and this doesn't have to detain us, but we had a number of meetings at the White House in the aftermath of the Vice President's Task Force.

Q On Terrorism?

A On Terrorism, and this had to do with a protracted disagreement within the Administration on where was the necessary site from which you would plan, manage, direct, guide your whole terrorism program. And this had always been cause for terrible turf battles. The short of it is that anybody with any expertise

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whatsoever concluded very early on that it needed to be in the White House and time and time and time again we had had incidents where we lost people and so forth, which demonstrated that the way we were structured was totally wrong, but it didn't matter.

We were going to proceed with the luxury of keeping it wrong in order to gratify the sensibilities of various bureaucrats and political appointees at the top of those bureaucracies. And so in the aftermath of the Vice President's Task Force, when we agreed at the conclusion of the task force to leave it the way it was, again in the face of all evidence and so forth to the contrary -- that it needed to be moved -- it was quietly moved. It did go to the White House.

But it was under a kind of cover name and again it was just one more collateral duty for Ollie.

Q Was that the TIWG, the Terrorist Incident Working Group?

A No. This is not the TIWG. This is this [redacted] and it has a meaning, but it's totally beside the point. And that eventually metamorphosed into what became to be called the OSG, the Operations Subgroup, and that didn't mean much either.

Q When you left the Pentagon, who took your place on the OSG?

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A My understanding was that it was Armitage.

Q And when did you leave the White House -- excuse me. When did you leave the Pentagon?

A I left the Pentagon -- I resigned the 30th of May. I remained, at the request of Armitage and Ikle and the Secretary, for that matter, until this fellow Ropka was brought in, and that was the first of August, and that's when I left.

Q And he was your replacement?

A He was my replacement, but he didn't do any of the things that I did, as near as I could tell.

Q And his name is what?

A Ropka.

Q R-o-p-k-a?

A Right.

Q First name?

A Larry.

MR. SAXON: Let's go off the record.

(A discussion was held off the record.)

MR. SAXON: Back on the record.

BY MR. SAXON: (Resuming)

Q What can you tell us as to your reasons, Mr. Koch, for leaving the Pentagon?

A As I indicated earlier, part of my responsibility was for the restoration of special

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operations forces, and this had been a running battle within the Pentagon. Initially the Secretary supported it completely. Once it became not merely problematical but publicly problematical, then one had a sense of a certain softening there and it was passed over to Taft to handle it and Taft's handling of it was such that eventually it created a situation that I thought was untenable in that he would make one decision this week and another decision the next week and it looked an awful lot like the Congress' position on the contras or maybe even a little worse than that.

And so finally this thing came to a head over the question of airlift and the Congress had required that certain things be done by the Pentagon. The Pentagon, under Taft, acted in a way that circumvented and totally violated the spirit of the Congressional decision and I thought did it dishonestly. And finally it came to a head on that point. I felt that my situation was one -- and I can submit letters for the record, if you want -- that I could not stay there in the building and be loyal to the Secretary any longer, because we had a clear division on this question of special operations.

And so I submitted my resignation over the objections of Armitage and Ikle and the Secretary called me within a matter of less than an hour and effectively

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refused my resignation. He said he wanted me to stay. He needed me there and so forth and would I think about it. And I thought about it for a couple of days and then I sent him a letter that explained why I was leaving, that said that I thought that the management of some of these issues, particularly the airlift issue, had been duplicitous and it had violated the intent and the spirit of Congress and that I didn't feel that I could stay under those circumstances.

And I must say also this question of my loyalty in the building, I had always been open, direct and public about my views on this thing, as I think generally is known, and the Secretary, that had never seemed to trouble him. But I felt that it was going to be necessary to take steps that he would have objected to ultimately, including in legislation, to oblige the building to solve these problems everybody recognized we had.

Q And just to make sure the record is clear, is it safe to say, then, that your resignation had nothing to do with any of the matters that our two Committees are investigating?

A No, not really. Only insofar as I must say that the management of this whole terrorism business has been a consistent, I felt, was a disgrace. But it wasn't

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in and of itself sufficient to make me decide it was necessary to leave.

EXAMINATION ON BEHALF OF THE HOUSE COMMITTEE

BY MR. SABA:

Q Mr. Koch, if you don't mind, I want to go back over a few things that we have already covered so that we can understand a little bit better. Going back to early November 1985, when General Powell called you concerning the HAWK missiles, why would he have called you as opposed to anyone else in the building on this subject?

A I have wondered about that myself, and my best guess -- and you would have to ask Colin -- but this was sort of my line. I dealt with, even though in a policy sense, generally an involvement with people who did covert work, who were not on the intelligence side but special operations, and this was, I think in Colin's view at least in the earlier part of this thing, pursuant to a situation that had been created by terrorism and was associated in our minds with terrorism.

Q So could we say that the request to you implied an unusual request or implied that the request had some involvement with terrorism?

A You could say that. I mean, as I say, you are asking me to look into Colin's mind, and I can't.

MR. ADLER: Is your question as to what was

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his state of mind when he received the call or reconstruction?

MR. SABA: Yes, it is what is his state of mind unless the answer is institutionally that's who he would always go to.

THE WITNESS: No, no. Institutionally he could just as well have called Phil Gast or he could have been very rigorous about the chain of command and called Fred and Fred could have called Rich, and Rich could have called Gast or me.

BY MR. SABA: (Resuming)

Q But you would say then that the call to you was not in the rigorous chain of command?

A It was not rigorous at all. Colin and I had a good informal, friendly relationship and I was in and out on issues that were a little bit strange, if you like, and so I didn't see anything peculiar about this. And when he asked me, of course, just to be clear about this, in the initial exchange there was no discussion of these going to Iran, Israel or for hostages or anything else. It was just how many HAWKs are there.

And the manner in which it was asked me I knew that he was trying to hide something initially for his own, whatever reasons.

BY MR. SAXON: (Resuming)

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Q Perhaps I was remiss in the beginning by not asking you to detail specifically what your duties were. As I understand it, though, one of your duties as the Principal Deputy Assistant Secretary was that DSAA was under you in terms of reporting channels, is that correct?

A That's right. That is right. That is what the papers which delineate my responsibilities say, and in fact that is true. But each Assistant Secretary works a little differently. When I was Principal Deputy under Bing West, I had a very close and intimate relationship with DSAA, to the point of replacing its director at one point. Then, when Armitage took over, he wanted to play with this and could we go off the record on this?

(A discussion was held off the record.)

MR. SABA: Let's go back on the record.

BY MR. SABA: (Resuming)

Q Just to establish where we are, in your first request to Gaffney you did not indicate where the HAWKs would be sent or mention any other countries?

A In my first conversation with Gaffney? I don't think that in my first conversation that I knew.

Q When you asked him how many HAWKs were available, did that include HAWKs in the pipeline to other countries?

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A Yes, it probably did. I don't know if I was explicit about that. But I just wanted to know how many HAWKs we had. I think I probably did ask him that.

Q Did you intend in your question?

A It may have been asked to me that way. You see, what I said was I think that the way the question was put was that there was an initial effort to cover this thing. I mean, let's remember that. Colin Powell is a creature of the Secretary of Defense in this world, and the Secretary of Defense doesn't want to do this, and so at each step there would have been a certain amount of keep it as minimal as possible.

And so he asked the question because somebody else needed the answer, but why tell me what it's for if there's a possibility if they would never have to go through it anyway. So initially the question was posed in such a way that it would be so all-encompassing to get the answer that he wanted, but it wouldn't tell me what the answer was for. You see what I'm saying?

Q I think I understand. Were you aware at the time that there were HAWKs being processed for shipment for transit to Israel?

A No, I was not.

Q Were you aware that there was an outstanding letter of offer and acceptance for 100 HAWK missiles for

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Israel?

A Not to my recollection, no.

Q Were you aware that on approximately between the 19th and the 21st of November HAWK missiles were being loaded on a ship in New Jersey for shipment to Israel?

A I was not. I don't think I was.

Q Did Gaffney provide you information as to that shipment of HAWKs either after your first request or at any time thereafter?

A I don't know that I ever knew that they were loading up HAWKs.

Q Did Gaffney provide you any information about that 100 HAWK shipment to Israel at any point?

A I don't think he did. I mean, when the question of Israel came up he must have thought it was strange, as I reflect on it, that we were sending these things over there for whatever reason, and we already had 1,000 going. I don't remember that he told me that. He may have known more than I knew about this. I don't know.

Q In regards to your last answer, how would Gaffney have known that your question was in respect to HAWKs destined for Israel?

A I didn't say that. What I said was I didn't

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think -- I asked him the question in as generic a manner as possible, and I don't remember that my first question that I knew what the destination was, so I couldn't have conveyed it to him. And then as the thing went forward and it was refined and it came back on paper then there were subsequent discussions and obviously -- I mean, that's why I was a little puzzled by this document.

Q In your subsequent discussions with Gaffney following your first request to him as to how many and where, was there mention of HAWKs in relation to Israel in any way?

A I'm sorry?

Q After that first question to Gaffney, did you then have a conversation with Gaffney in which Israel was mentioned in relation to this request concerning HAWKs?

A I don't know. I would assume that I did, but I don't recall that. The HAWK things were curious. It started out and then it stopped insofar as my involvement.

Q In your reporting the information you had to General Powell did you relate to him the information that Dr. Gaffney had provided you?

A Yes, sure.

Q In your request to Gaffney did you request any legal advice?

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A No.

Q Was any request made of you to seek legal advice concerning HAWKs?

A No, not that I can recall, anything like that.

Q When Gaffney provided you with the point paper or discussed it with you, was there any in-depth discussion of the legalities of a hypothetical transfer to Israel and then to Iran?

A I don't recall that. There certainly weren't in the early discussions. I would guess when he came back with the paper and I see this is the paper he came back with that if there were others that he would have, just in the interest of thoroughness, he would have sort of given me a comprehensive answer. But I'm still trying to get clear in my mind that there was an understanding of what it was we were doing when that understanding came, and then if there was a discussion of legalities it would have been -- and again I'm sure that Hank would have looked at this the same way I looked at it -- it was not that we were setting out to break the law and we wanted to find out which law it was we could break it better or figure out how best to get around it.

But that for the sake of people who don't work with this thing on an hourly basis, so to speak, they would give you this is what you are doing so you know.

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Q Do you know if -- did you ask or make any legal inquiry of Silber, the General Counsel for DSAA, as to the legalities of the transfer?

A No. You see, keep in mind whatever else was clear from this, it was that this was a secret operation and of necessity and it was secret not for any reasons involving legality.

Q Just so I understand, do you draw the conclusion that it was secret because the question was put to you by Powell or did he tell you that this involved a secret operation?

A Christ, I was smart enough to figure that out. I didn't need to be told that. I mean, for all these reasons that Hank has laid out it's pretty rudimentary. I mean, we understood, or I understood, having responsibility for this terrorism business, what would be the effect of this or the probable effect of it would be. And since I had been concerned for as long as I had about the question of the absence of any policy in the Gulf toward Iran or anybody, the fact that that would be a destabilizing, have destabilizing consequences there, all of these things, you know, made it very clear that if you began with the assumption that this was the dumbest goddam thing you ever heard of it, and then work from there to the very short conclusion that you are going to

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do it anyway, then there is a tendency to want to keep the dumbest things you've ever heard of, if you are going to do them, do them secretly and not do them out in public.

Q But it was your state of mind, then, rather than anything General Powell said to you that led you to believe that this somehow involved Iran and Israel?

A You know, it was part of the environment. It was the atmosphere. It was come on, I've got to see you, come on down.

MR. ADLER: Wait a minute. I don't think you heard his question. Would you repeat the question?

BY MR. SABA: (Resuming)

Q So it was your state of mind then, rather than anything General Powell said to you, which led you to believe that this was a secret operation, that the request was in relation to a secret operation involving somehow Israel and Iran?

A I wouldn't try to get into my state of mind. The point was simply that I was asked to come down there and so immediately it was clear that he wants to talk to me about something that he doesn't want to talk to me about on an open line. True, he could have called me secure, but you don't get the same sort of intimacy on a secure line. Therefore, this is something that is

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sensitive, extremely sensitive.

And what that sensitivity is you don't know at that point. Just how many of these things are there? Where are they? That kind of thing. And then as it went forward in our discussions it was clear that this was a secret operation.

Q As it went forward was it discussion between you and General Powell about Israel and Iran in connection with HAWKs?

A I don't remember when the question of Israel presented itself. I mean, I think it was presented in a very gross way at first, and that was that we were giving them to Iran and giving them to Iran for the hostages, and whatever the number was -- I don't remember what I have -- and it was just the two of us, in effect, not kibitzing but sort of trying to figure out what does all of this mean, working with numbers the best we knew at that moment, and we estimated that what we were doing was paying a quarter of a billion dollar ransom for these people and I just thought it was crazy.

So then there was the question of Israel. How was it being done? And it turns out that we were deep into this thing before I realized it was not a giveaway but it was a sale that we were talking about.

Q At that time, focusing on HAWK discussions,

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did General Powell indicate from where the request came as to HAWKs?

A No.

Q What caused him to originate his question to you?

A No.

Q Did he indicate in any way that he was involved in conversations with Colonel North on the subject of HAWKs?

A Not in our early discussions.

Q In what discussions then would he have been involved with Colonel North and HAWKs?

A Subsequent discussions.

Q When would they have taken place?

A Well, we're talking about an event that is somewhat compressed anyway. It begins in maybe the first or second week of November and by December I'm into TOWs here. As I said, this thing just went away. And when Ollie was discussed in conjunction, or even if he was, I don't know. I mean, I just can't recall how we made the transition from the general to the specific, from fairly close hold to it is Iran, Israel's in it, Ollie's in it and so forth.

Q In this compressed conversation over those several weeks in November was there any discussion of

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HAWKs in the pipeline in connection with any of these people or matters?

A I don't remember that there was.

Q I'm about to begin another area. Roger, if you have a question on the pipeline, I'm going to move to another area.

MR. KREUZER: I have a different area.

MR. SABA: Do you want to wait until we get there?

MR. KREUZER: All right.

BY MR. SABA: (Resuming)

Q Moving down to the matters concerning your meeting with Ben Yosef, how did you understand it to be that Ledeen had negotiated a price for U.S. TOWs with Israel?

A I didn't understand it all. All I knew was what Ollie had told me, was that Bud had started this thing and Ledeen had been the operator in it and had screwed it up, as he said. But why Ledeen would be in it I couldn't figure that out. Ledeen had worked for me for a while and was on my payroll as a consultant and eventually I squeezed him out of there because he didn't know anything about terrorism, when he was supposed to be an expert on terrorism.

So how he got into this I didn't know except

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he tended to float from department to department, from State to Defense to the White House and then he tried to come back to Defense.

Q Why does Ollie tell you to negotiate with Ben Yosef, and I'm asking again in an institutional sense?

A No reason. This is -- what Ollie is trying to do is to keep to an absolute minimum the number of people who are knowledgeable about this, for whatever reason, which had to do with Colin or something else, I don't know, but I'm in the box now, and so you suddenly, once you make that departure from bureaucratic norms, you're in a state of willy-nilly.

And so he says I need this done, and this becomes this little band of brothers that are functioning in effect. Why me? Because suddenly, as nearly as I could make sense of what Ollie was telling me, was that here was another hot potato that had been handed to him and it was alive and cooking, whether anybody liked it or not, and so -- I mean, there may be a certain amount of improvisation in this thing where it started out to get the hostages but I think there's no question in my mind it started out to get the hostages back.

I mean, I could almost go back to little signals I got from the Israelis and so forth, but it began there and then as Ollie took it over he began to

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think in terms of the larger purposes of what values might be served by this.

But however this was, he had it and what he was doing was compartmenting this thing and limiting it to people he could depend upon.

Q When he asked you to speak with Ben Yosef, did you report that fact to Powell?

A I'm sure I did.

Q In preparing for your conversation with Yosef you mentioned that you had a floor on a price for the TOWs. Did you indicate that you knew of a ceiling on the price?

A No. I don't remember that there was a ceiling on the price. The ceiling on the price was just like if you've ever been to Rasuk's to buy a rug, you know. The ceiling of the price is what he is willing to pay.

Q So you weren't informed there was a number above which you couldn't go other than what's commercially reasonable, of course?

A I don't understand. Well, the answer is no.

MR. SAXON: Make sure there's no confusion here. In your question, Joe, you are talking about per TOW, a ceiling -- whether it's $5,000 or $6,000 or $8,000.

THE WITNESS: Do you mean the numbers of TOWs?

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MR. ADLER: You are talking dollars, price?

MR. SABA: I'm talking about price.

BY MR. SABA: (Resuming)

Q I asked the question because I understood you to say earlier that Rudd gave a higher price than you were willing to negotiate.

A No, no. I think what was said was that he said the lowest they had ever sold one before was $6,800 and I didn't -- nobody else put a restriction on me. But as I sort of doped out or calculated the negotiation in my mind I was pretty confident that they wouldn't go that high, particularly if you are beginning at $2,500, which has no absolute authority. But it is there. It has been negotiated once by an agent of the U.S. Government, legitimate or not.

And to drag them up there to almost three times what had been negotiated --

Q Was there any discussion between you and Ben Yosef as to the price of HAWKs?

A I don't remember that ever being discussed.

Q Was there any discussion of the price of any weapons other than TOWs?

A I don't remember that either. I think it was just TOWs.

Q Was your discussion with Ben Yosef limited to

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those TOWs which Israel had already transferred? That is, was it a retroactive negotiation or was it also prospective as to possible future transfers?

A I think it was both. I think it was both. I don't remember. Even to this day it is not clear that they recovered the initial tranche that went in. I just don't know. But I think I don't have a good recollection of that. I mean, it seems to me we were talking about dollars and it wasn't like Major Major's eggs where you can make it up on volume. If you bought one TOW it was whatever we came up with. If we bought 5,000 it was the same thing.

Q Turning your attention to the meeting at roughly somewhere in the first ten days of February '86 at the White House where General Secord took part in the meeting, you indicated that you were aware prior to the meeting that he was involved. How were you aware?

A Because Ollie had mentioned that in one of our conversations. That was something along the lines of who's running this thing. Who do we have doing it? And he said somebody that you have confidence in.

Q Did Ollie mention in particular why Secord was involved?

A No.

Q Was there any discussion as to --

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A No. As soon as he mentioned, it would have been self-evident.

Q Was there any discussion or questioning as to the need for a commercial cutout?

A No, never.

Q Was the discussion at this February meeting at the White House concerning a transfer of TOWs which the CIA would shortly make?

A Yes, I guess so. I think so.

Q And was there any discussion in that meeting as to the role Secord would play?

A I don't remember exactly. Secord was -- let me try to elaborate this for you a little bit here, for what it's worth, just as an explanatory footnote. You say was there any discussion of why you had to go private and the answer was no, and that may sound a little strange to you because why would you do that when you've got this vast panoply of stuff that the taxpayers had bought to do things like that.

And if you went this route you must be trying to circumvent the law. And in fact we had experience after experience after experience within the government to try to get the government to do things it ought to do, to try to get the Central Intelligence Agency to take certain steps or at least to consider the possibility of

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certain steps to deal with, among other things, the problem of terrorism.

We had had instances in which we needed to get the military to respond and almost invariably they would screw it up somehow. There was one event where we had three airplanes broken trying to get them off the ground in the Middle East to take a survey team over there to work on an incident that was live at the time. And so it was -- and then, of course, you had the differences of opinion, you know, between the services.

The Army has no confidence in the Air Force. The Air Force doesn't care whether the Army has any confidence in it or not. It is going to go its own way and do its own thing regardless. And so the Army then goes out and hires its own airplanes in the private sector. I mean, you've got this kind of stuff. So when you live in this environment after a while you decide that if you're going to do anything in furtherance of your country's interests then you're not going to do it through this damn bureaucracy.

And it doesn't have anything to do with circumventing the law. It has to do with circumventing the absence of leadership and people's willingness to make the goddam thing work. So if you can't get it to work, you go and you find people that do know how to do

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it, and if they are willing to do it you hire them and get them to do it.

Q Was there any discussion in the meeting concerning the financial arrangements?

A Not that I know of. There may have been.

MR. ADLER: With Secord?

MR. SABA: With Secord.

THE WITNESS: For how they were being paid on this thing? No, I don't know anything about that.

BY MR. SABA: (Resuming)

Q That was my first question. The second one were financial arrangements concerning the sale of the TOWs, first the procurement by CIA from DOD and, second, the price of CIA to Israel.

A I don't remember. You would have thought I would have taken a proprietary interest in that, but I don't remember.

BY MR. KREUZER:

Q Sir, you mentioned earlier that one or perhaps a primary consideration for your resigning and you were asked to think over a couple of days and you thought it over, and I put in my resignation, and one of the things you mentioned was you didn't like the management of the airlift issue.

And last week we were discussing airlift

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contracts and I believe we were discussing the fact that Richard Gadd had an airlift contract with Army and that Air Force took exception to the fact that he had that contract. And you said that in spite of the fact the Air Force could not provide the service, they didn't like the fact that Gadd had this contract.

A The Army had the contract.

Q The Army had the contract with Gadd and therefore they wanted the Army to kill this contract with Richard Gadd and they wanted to have the contract in spite of the fact they couldn't provide the services.

A That is not exactly the way I stated it. That's not the point. I mean, it's so bizarre that maybe it's difficult to get the point. But the thing is the Air Force position was anything that has wings on it is our domain. Now helicopters don't have wings on them. They don't give a damn about them.

They wanted the Army to have the contract for fixed wing aircraft. They also wanted to contract themselves so they would administer the contract. That may not sound bizarre to you, but it does to me. Once you've got to go down to Acme to hire your own air force, what the hell difference does it make who does the hiring?

Q Now was this what you were referring to just a

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few minutes earlier when you said this was a consideration that drove me to resign?

A It was that sort of thing, yes. That was only one. That would almost be one of the acuter symptoms of the problem.

Q Now when you left or maybe just prior to the time you left you mentioned that you were offered a position by Mr. Gadd with I don't know what firm.

A No, no, no. I don't want to overload that, Roger. What I said was that Dick had talked to me about either would I like to come with him or, barring that, could he be helpful to me in any way in setting up a company. And it was really just a good faith offer. I've spent a lot of time in the last six years doing things that have not ingratiated me with the Pentagon and therefore with all of the defense contractors and everybody else -- the sort of thing usually go to the Pentagon to get rich.

You know, you spend a year and so many weeks and days there and then you go out and take a job as a Vice President for Rockwell or someone like that. And so I sort of had done things that this small community, the special operations people appreciated, and so it was not unusual for them to be helpful to me where they could be, purely out of, as much as anything, gratitude.

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Q Would Gadd qualify as a member of that small community of special operations types?

A Sure.

Q Did you maybe perhaps -- you, I believe, last week said you started your own operation. You were in the antiterrorist business. Was that perhaps a reason why you didn't go in to work for Gadd? I mean, he is not exactly in the same kind of business as you are.

A Well, I don't know if there is any particular reason why. I just didn't want to do it. I just wanted to do what I wanted to do.

Q Did you maybe subsequently strike any contracts with him?

A No. So there's no confusion, so this doesn't come up out of the blue anywhere -- and I don't care whether you take it off the record or not -- there was an effort on my part while I was still in government to design a computerized exercise for purposes of training,

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[redacted] And I talked to some people who were smarter than I about computers and tried to, in as innocuous a way as possible, without divulging anything, to devise a game that a person could play against a personal computer that he could carry with him on a plane or whatever and that was a terrorist game. It was a terrorist exercise in effect.

And so Dick had the kind of people that could do this. Some of these guys who come out of these deals. And so for a long time we played with it and eventually we came up with a proposal, or they did, which sounded sensible and it went to -- it was a sole source deal. It was wired and American National Management had it. Then apparently there was some kind of -- some sort of a disagreement within the company and there was an allegation that the follow-on contract for the computer or the implementation of this thing had been bid and it just was such that it began to look like there would be not any illegality or wrongdoing but the appearance of it.

And I didn't want to be involved with any

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appearances or realities, and so I immediately told the people who administered these contracts that I wanted this thing stopped. I want a complete investigation run to see whether I or anybody else had done this. And that was stopped and the investigation was run and it was discovered, as we all knew, that everybody was totally clean. By that time I had left. Ropka was there and I think it was his decision not to resume this.

Q Now was this all more or less in the compartment of special operations?

A Special plans.

Q And in your special plans role did you get involved with any kind of planning with the contra effort?

A No.

Q Nothing about that?

A No.

Q In your discussions with Mr. Gadd did he ever discuss contra operations?

A I don't recall that he did, no. I don't think he did.

BY MR. SAXON: (Resuming)

Q Let me see if we can cover a good bit of ground in the 30 minutes or so we have remaining. Mr. Koch, you were involved in November of '85, late '85, in

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discussing HAWK missiles but you were not involved, were you, with the later April '86 HAWK missile repair parts issue; is that correct?

A I know nothing about that.

Q Were you involved at any point in looking at the HAWK systems in late '85 or the TOWs in early '86 in looking at the issue of readiness and whether there would be an adverse impact on our readiness to make these transfers?

A No. I wouldn't be in a position to make that call anyway. That would be kind of the sort of baggage that would sort of come back to you just like the laws that govern and the rest of it, and that would be one of the things that they would automatically tell you when you got into one of these things and you could ask the question pursuant to your kid's homework that night, you know. I mean, that would be one of those things that they would tell you automatically.

Q I believe you told us before that readiness was sort of the battle cry of a lot of people at the Pentagon.

A Well, readiness was always an excuse for not doing anything. You could always say they are saving themselves for the prom.

Q At what point did you fill in Dr. Ikle on the

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issue of TOWs to Iran?

A I don't remember. I didn't say anything to him initially, and then I began to be concerned because it put me in a position where I was going around him. Now it didn't bother me to go around Armitage, because Armitage wasn't in this loop to begin with. I mean, I saw myself dealing with this thing with my special planning hat on, and in that regard it seemed to me it was all right to be working directly with the third floor.

But I did not want somewhere down the road for this to come out and to have Fred, purely on the basis of personal relationships, to have Fred feel that I had colluded and gone around him. And I suspect that I probably did it -- I may have even done it after I realized Armitage was in the box. I may have done it then because I was afraid he wouldn't tell Fred, and so I thought Fred should not be in a vulnerable position.

Q Do you recall what his reaction was when you told him?

A I don't know what you know about the Swiss, but they are not awfully demonstrative.

Q But it was clear, I believe you said earlier, that when you told him it was clear to you that he had not known.

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A No, he didn't know. And I think he just asked a few casual questions. I mean, if I said that to you out of the blue, it is sort of weird anyway and you wouldn't know. I mean, one might ask the penetrating questions, but you don't have them available.

Q Let me ask you a question or two about this, and I don't want to be misunderstood. I'm not trying to prejudge and we certainly have the benefit in asking these questions of hindsight and all of this. But you have indicated fairly strongly that you thought there were some policy problems at least in the early stages with this as to how we dealt with our allies and stated policy on terrorism and a different policy and practice, et cetera.

And Dr. Ikle was the Deputy Under Secretary for Policy. Did you not at least ask General Powell at some point does Fred know about this? Should we clue him in? What does he say? Et cetera?

A No.

Q Compartmented operations just don't work that way?

A Well, that would be one excuse for not doing it, sure. I mean, I would just leave it at that. I didn't ask him and I didn't expect him to tell Fred.

Q What was the point at which you first learned

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that some funds from the arms sales to Iran might be diverted to the contras?

A November 25.

Q With the Attorney General's press conference?

A Yes.

Q So Colonel North never told you prior to that?

A No.

Q And General Secord never told you prior to that?

A No.

Q Is it clear to you that when you were talking about TOWs in early '86 and you were negotiating with Mr. Yosef on the TOWs that you had a ceiling of $12 million with which to work?

A I have somewhere in my mind that $12 million. You didn't put it there. You sort of called it back to life, I think. I don't remember how it got there.

Q And I don't want to put words in your mouth either, but do you recall that wherever that figure came from that it was fixed and that that is what we had to work with? And if not, fine.

A I don't know. I don't know. I'm just fascinated by the way the thing jumps around. I don't think the point of that $12 million was to elude the $14 million threshold, and I can't reconstruct enough of it

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in my mind to know where it came from, whether it came from Ollie, was there some fund that was fixed that they were going to pay for it with, or what. I don't know. I don't remember.

I do remember $12 million.

Q Do you recall Mr. Rudd saying to you that in his best judgment there was no way 4,000 TOWs could be provided for less than about $25 million?

A Yes. I mean, I can see that in the conversation which involved pricing numbers.

Q And that some of the TOWs were old and maybe there could be some discounting here and there in terms of shelf life, but by no means would it get down even below $14 million?

A Well, again, I mean, I don't put these things together -- the threshold and the $12 million.

Q Can you recall any other statements that Colonel North may have made to you during this time period, any of these time periods, about the President's statements to him or the President's state of mind on these matters?

A Just what I told you. You see, it may have been that somebody told me that. I mean it may have been in conjunction with -- well, I don't know. I don't want to speculate too far, but if somebody else had in mind to

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stay under that notification threshold, I may have been told whatever you do, don't go over $12 million.

And it would be like the initial request of tell us where all the TOWs in the world are, where all the HAWKs in the world are. It's intended to cover intent, and so if you asked, you know, stay under $12 million, one could see that that might have been intended to cover the intent.

Q If you had been told that, is it fair to say that likely there are only two people who would have told you that -- either Colonel North or General Powell?

A Yes, I would say sure.

Q And you think one of them might have said that?

MR. ADLER: Said?

MR. SAXON: Might have said you've got $12 million and that's all we've got to work with?

THE WITNESS: Yes. It would have had to have been.

BY MR. SAXON: (Resuming)

Q Do you know which one it might have been?

A I would have to flip a coin. You know, I understand the point, but if Ollie is the daddy rabbit in this thing, either I got it directly from Ollie or I got it from Colin and he got it from Ollie.

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Q What can you tell us about Colonel North's relationship to Director Casey?

A Only that he wasn't invoking the name or name-dropping or anything like that, but in context Mr. Casey's name would fit periodically in discussions that we were having.

Q Do you specifically recall Casey's name coming up in the context of HAWKs to Iran in late '85 or TOWs to Iran?

A No, I don't. I mean, I know that Casey's name came up a lot, and it came up, and I'm not being snide or anything but we're dealing with a hell of a lot more things than this, and so even these players were dealing with more things than this on a regular basis. So there were a lot of things that we were doing in which the DCI's position and thoughts or Ollie's relationship with him would have been a natural part of the thing. So inevitably that would get mixed up in my mind.

Q You said you told us earlier you thought you had two meetings with Secretary Weinberger about TOWs. You've talked about one of them. Are you able to recall anything about the second one or why you even thought there was a second one?

A Occasionally I would be in there talking to Colin and the Secretary would come into the office. I

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mean, this was in the air. It was very much between us. But I do have a recollection of two meetings in the office, but I can't give you any more information, I mean, what was the other one like or not.

Q Did you ever see Secretary one-on-one on this topic?

A Never.

Q Was there any particular reason you wouldn't have done that?

A I would have preferred to have somebody there so there would have been no question about what was said, and I think Cap would for the same reason. The only times we ever spent any time together would be in the car driving back and forth to the White House.

Q But you say that in the context of a covert operation and the fact that with things being covert there is a good likelihood of misunderstandings?

A Well, in the context of something that the players find distasteful, and one of them is in the position of authority and he doesn't have any way on this thing and doesn't necessarily want it to happen in the first place. I mean, in some measure it would have to do with keeping people's hands on top of the table. I don't mean there's a lack of trust or anything like that, but you know how these things play themselves back later on.

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So I would just have preferred to have Colin there and I think he would have, too, and I think Colin would have preferred to be there, because you want to minimize in anything this delicate the opportunities for misunderstanding or miscarriage.

Q Are you familiar with the [redacted] system?

A Yes.

Q To your understanding did the shipment of Army TOW missiles to the CIA with the destination of Iran go through the [redacted] system?

A My understanding would be that would be the normal procedure, that they would go through [redacted]

Q That would be the normal procedure?

A I think so.

Q Do you understand that that happened in this case?

A My understanding from being told, I think, by yourself was that it didn't happen.

Q But that really came later in your involvement in this?

A Yes. I didn't know how it was done. As I said, I didn't know. Any time anything moved, I didn't know anything about it.

Q At the point at which you left the Pentagon or subsequent to having left the Pentagon but prior to all

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of this breaking within the November '86 time frame, the Attorney General's press conference and the weeks preceding, did you ever ask any of your former colleagues whatever happened on the arms to Iran initiative, if they had gone forward or whatever?

A I would have occasional -- understand I didn't leave the Pentagon until August and this thing went tits-up in November and so I was on a fairly regular basis apprised of what was happening from within.

Q Who would have kept you apprised?

A There was a long period of time in which nothing happened. There would have been times in which Rich would come over and say sort of where things were and I can't give you chapter and verse, but there were other times when I knew from talking to Dick.

Q And so when you talked to General Secord did he tell you about his full role in all of the arms shipment end of it?

A No, he never did. And my interest, of course, my most profound interest was in what was going to happen to eventually get this relationship with Iran on track, since there was no way to defend it. I mean, it was a mess militarily. And the other thing was, in a more casual way, was getting this hostage things straightened out. And, of course, in the meantime more hostages had

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been taken.

And so from time to time he and I had conversations about that.

Q Were you ever party to any discussions at the Pentagon or with your former Pentagon colleagues after you left the Pentagon that the taking of additional hostages was in any way related to our willingness to swap arms for hostages?

A I'm sorry. Say that again, please.

Q Were you ever in any discussions in which Pentagon officials linked, speculatively linked, the taking of additional hostages to our apparent willingness to make concessions or swap arms for hostages?

A I don't remember. The Secretary made the point, that was one of his arguments, that that would happen, and it did. But I don't remember that.

Q In your conversations with General Secord did he ever mention to you his contra side of all this?

A No. We had one conversation which was prompted by, again going back to my earlier comments about this community being fairly small and people talking to each other, and at some point in this there came up, maybe through General Singlaub or whatever it was, that some complaint that Dick had made a lot of money on some aircraft that he had sold to the contras.

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And so I asked him. One night we were having a drink. I said I understand that, you know, some people are upset with you and they said that you have made a killing on some Maules, and he said how can you make a killing on an airplane that cost $65,000 or whatever it cost? I mean, he totally dismissed and denied it and I believe his denial.

MR. ADLER: Let me interpose something. Your question about conversations with General Secord, I think we sitting here had a time reference but could you give us a time reference in terms of up until what date and make certain then that his answer was responsive to that date?

MR. SAXON: Sure.

BY MR. SAXON: (Resuming)

Q Prior to the Attorney General's press conference -- and let's say from November 24- backward, with the AG's press conference taking place on the 25th, prior to that period with anybody who knew anything about contras in any conversations you had with General Secord, did he ever mention that in addition to working some deliveries, whatever, on the Iran side I've been doing some things for Ollie on the contra side?

A No.

MR. ADLER: Let me get one other thing on the

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record. That rather lengthy answer you gave, what time period was that responsive to in your own mind?

THE WITNESS: What lengthy answer?

MR. ADLER: About your conversations with Secord about the Maules and so forth.

THE WITNESS: It would have been sometime in the summer of '86 probably, maybe even earlier.

MR. ADLER: Okay.

BY MR. SAXON: (Resuming)

Q Since the time you left the Pentagon have you -- let me retract that. Let me ask you more generally what is the nature of your relationship with General Secord?

A I consider him a close friend of mine.

Q And how long have you known him?

A Since 1981.

Q You met him when you first went to the Pentagon?

A Right, and presently I am a trustee for a legal assistance fund for him.

Q When you left the Pentagon did you continue to have conversations with him, see him periodically, et cetera?

A Yes, regularly.

Q Have any of those discussions or conversations

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involved doing business together?

A Yes.

Q And are you currently in business with General Secord in any commercial enterprise?

A I don't know how you define that, but the answer, I guess, is no.

Q Excepting the legal defense fund are you doing business with General Secord?

A No.

Q But you have had some discussions along those lines?

A Yes.

Q This would be in terms of your security kinds of things that you are currently doing?

A Yes. I mean, it would all be tied together, sure.

Q When you were at the Pentagon was General Secord a consultant to ISA after he left?

A I guess he was. I mean, he left under pretty outrageous circumstances and I think they did him a consultancy just to salve their own consciences. I don't remember that he ever did anything.

Q Can you tell us what the SOPAG is?

A The SOPAG is a unit that I set up back in probably '82-'83 which is the Special Operations Policy

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Advisory Group.

Q And after you left the Pentagon was there a point at which General Secord became a member of the SOPAG?

A He was on the SOPAG before he left the Pentagon, I think. I'm not sure when he came on. I mean, I think I asked him when I immediately formed it, and I don't remember whether I formed it before he left or not.

Q Do you recall were you a party to discussions, decisions or just know generally the circumstances under which he left the SOPAG?

A He didn't leave. He was taken off it by Rich Armitage.

Q And why would that have been?

A Well, I don't know. I mean, ostensibly the reason was because he hadn't submitted a financial disclosure statement, but Dick would have seen the delay in that submission as related to the legal situation in which he found himself, in which he had, through some chain of legal causation, had to do with his Fifth Amendment rights. And so that was taken as an opportunity to put him off the SOPAG.

Q Let me have you mark as Exhibit 6 these documents, the cover of which is a letter from

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Congressman Lee Hamilton as Chairman of the Permanent Select Committee on Intelligence to Secretary Weinberger bearing the date of November 25, 1986. The cover letter simply says that enclosed is a transcript of some testimony the Secretary provided and then also some questions for the record.

(The document referred to was marked Koch Exhibit Number 6 for identification.)

If you would look in this letter, by the way, it bears the numbers D-51, and that is the Senate Select Committee's document number D-51. The next page has D-83 on it, and it says the subject is Questions and Answers for the Record from the Secretary of Defense.

If you look down at number four, it asks did General Secord have any kind of consultant contract, et cetera, and it goes into basically tell us what you just told us. The next page, D-84, numbered paragraph five: Was General Secord dropped from one of our committees for failing to execute a financial statement?

And further down the paragraph it says in Secretary Weinberger's answer: Major General Secord's membership on the SOPAG was terminated effective 4 August 1986 based upon his failure to provide the Department with financial information as required in form SF-1555.

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A So that would be before all this came up, right.

Q It would be before it all broke, yes, in terms of the press in November. And then Secretary Weinberger references, he says amplifying information is enclosed at Tab C, and if you look at the last page, D-101, is that attachment, that Tab. And under the date of appointment column it says "termination based on Secord's refusal to provide SF-1555."

A But this was, it says, forwarded.

Q Forwarded to Personnel on 10/23/86, with the effective date of 8/5/86. That is correct.

A The 23rd of October, then. Well, so what's the question? Let me point out some things that are interesting here. Dick is the only one that I know who never took, who was never paid. He was on this SOPAG. He did come to meetings and he never put in for payment.

It's his understanding, and it is mine, that the failure to provide the financial information which was essentially a spurious reason for putting him off -- why he didn't provide it, I don't know -- but I thought it was benign, and I will until I hear a better explanation.

Q That's fine. We're simply showing you this to see what, if anything, you can say to shed light on the

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situation.

A Why would they have -- well, okay. Never mind.

Q Let me ask you now about and let me have marked as Deposition Exhibit Number 7 a newspaper article that appeared in the Philadelphia Inquirer on March 24, 1987.

(The document referred to was marked Koch Exhibit Number 7 for identification.)

For our purposes really the first few paragraphs are the ones that are relevant. It talks about General Secord's problems and says: Retired Air Force Major General Richard E. Secord, a key figure in the Iran-contra affair, acted "at the bidding of the highest levels of the U.S. Government" according to a fundraising appeal by Noel C. Koch, former Director of Special Operations at the Pentagon. And that would be you.

First of all, do you recall making such a statement?

A I don't remember ever seeing [redacted] article, but all of this is extracted [redacted] e-fundraising letter. Do you have a copy of that letter?

Q We do not.

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A I guess you need one, right? I don't happen to have one with me, but I'll get one and send it for the record. But that comes out of there. And what you're asking me about specifically, "acting at the bidding of the highest levels of the U.S. Government" comes from, is a quote. I mean, I'm quoting here from a newspaper article which may have been the New York Times magazine. I'm not sure.

Q You have anticipated the question. I'm simply trying to find out what the basis was for the representation that he acted at the bidding.

A I don't know. I wasn't there when the President said go forth.

Q Let me just ask then, for the record, did General Secord ever tell you at any point before or after these matters broke that he was acting at the behest of the President, at the specific request or instruction of the President, et cetera?

A No. I don't think he ever did.

Q Let me ask you --

A I'm sure he never did. He wouldn't have.

Q Let me ask you about a phone conversation or two conversations that I think took place on the morning of the Attorney General's press conference, which would have been November 25, 1986. Do you recall having placed

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a call to General Secord or trying to contact him?

A On the morning of the press conference?

Q That is correct.

A Yes, I do recall.

Q And do you recall that the first time you called you spoke to him personally or whether you spoke to someone else?

A I think I talked to Bob Dutton.

Q And Mr. Dutton worked with or for General Secord?

A Yes.

Q So you placed a call to Stanford Technology?

A Well, I placed the call to Dick, as I recall, and he wasn't available. Then I talked to Bob, and then I talked to Dick later.

Q Do you remember what, if anything, you said to Mr. Dutton?

A I don't really remember. I don't have a good recollection. It seems to me that we were -- I mean, Iran was cooking along and getting more and more interesting and I don't know if I knew that there was going to be a press conference, whether it had been announced in advance or what that day.

Q Do you recall Mr. Dutton saying something to you along the lines of yeah, something's going on and

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Dick will know?

A I don't remember what he said to me.

Q So you had a short conversation with him and then what happened? Did General Secord get on the phone, or you placed a second call, or what?

A I guess I called him again.

Q And do you remember anything about that conversation?

(A discussion was held off the record.)

MR. SABA: I have a few questions, so I can continue until he returns.

(A discussion was held off the record.)

BY MR. SAXON: (Resuming)

Q What do you recall, if anything, about your conversation that morning of the AG's press conference with General Secord?

A I have no recollection about the substance of that conversation.

Q Do you remember him railing against Secretary Shultz and Don Regan for not being supportive of the President and protecting the President?

A I don't remember it, but he probably did.

Q Do you remember him saying that he himself would go public with what he knows except he was concerned about our hostages and the compromise of any

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Iranian intermediaries?

A Yes, I think I do remember that.

Q Do you recall him saying that he had already notified these agents, these Iranian intermediaries, that something was about to break?

A I don't remember that exactly.

Q Do you recall him saying that he had spoken the previous evening to Admiral Poindexter for about ten minutes?

A I remember him saying he had a conversation with John, but I may be telescoping whether that conversation occurred the previous evening or that day.

MR. SAXON: Do you have a quick one?

MR. SABA: Are you finished entirely?

MR. SAXON: Enough.

MR. SABA: Are we going to resume or if I can finish quickly.

MR. SAXON: Take two minutes or whatever and see what you can do and then we will regroup later to see if we need to convene again.

BY MR. SABA: (Resuming)

Q Do you know Albert Hakim?

A Yes.

Q How do you know him?

A I met him through Dick.

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Q At what time?

A It would be after Dick left and after he went with Albert in Stanford Technology, or whatever it's called, Trade Group International.

Q Could it be as early as the summer of '83?

A It could be. I don't remember exactly when Dick left, but it could be, sure.

Q And what was the occasion for your meeting and relationship since?

A Well, as you see, Dick and I were close friends and he had started this business, and he brought Albert around and I don't know exactly why but it was like a courtesy call, which wouldn't have been unusual. I mean, a lot of people, business people, do come by, and it was in that nature. And we simply got acquainted.

Q In your official duties, one of your duties was to be concerned with Africa.

A That's right.

Q Did you coordinate your activities with Ollie North on Africa?

A No. I don't recall.

[redacted]

Q Did you have any connection with any special operations in Africa?

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A No, I don't think there were any that I can recall.

Q [redacted]

A The special operations?

Q Generally.

A No.

MR. SABA: Let's go off the record.

(A discussion was held off the record.)

MR. SAXON: Back on the record. Let me say, first of all, for the record, Mr. Koch, we should acknowledge that you have appeared here voluntarily and without any effort to seek any immunity or without even being subpoenaed. We appreciate that. We appreciate your candor and your frankness and your time in trying to help us piece this all together.

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I do have a few more questions and so it looks to me like we will have to convene at an another time, but let me say for today we thank you and we will be back in touch.

(Whereupon, at 4:50 p.m., the taking of the instant deposition recessed, to reconvene at a future date.)

_____

Signature of the Witness

Subscribed and sworn to before me this _____ day of _____, 1987.

_____

Notary Public

My Commission Expires: _____

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CERTIFICATE OF REPORTER

I, Raymond R. Heer III, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Raymond R. Heer III

NOTARY PUBLIC
DISTRICT OF COLUMBIA

My Commission expires: May 31, 1989

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82-716 O-88-6

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Stenographic Transcript of

HEARINGS

Before the UNCLASSIFIED

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE

TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

TESTIMONY OF NOEL C. KOCH - Continued

Friday, May 29, 1987

Partially Declassified/Released on 1-4-88
under provisions of E.O. 12356
by N. Menan, National Security Council

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Washington, D.C.

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TESTIMONY OF NOEL C. KOCH - Continued

Friday, May 29, 1987

United States Senate

Select Committee on Secret

Military Assistance to Iran

and the Nicaraguan Opposition

Washington, D. C.

Continued deposition of NOEL C. KOCH, called as a witness by counsel for the Select Committee, at the offices of the Select Committee, Room SH-901, Hart Senate Office Building, Washington, D. C., commencing at 10:21 a.m., the witness having been previously duly sworn, and the testimony being taken down by Stenomask by MICHAL ANN SCHAFER and transcribed under her direction.

Partially Declassified/Released on 1-4-88
under provisions of E.O. 12356
by N. Menan, National Security Council

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APPEARANCES:

On behalf of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition:

JOHN D. SAXON, ESQ.

On behalf of the House Select Committee to Investigate Covert Arms Transactions with Iran:

JOSEPH SABA, ESQ.

On behalf of the witness:

ROBERT M. ADLER, ESQ.

Ninth Floor

1667 K Street, N.W.

Washington, D. C. 20006

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2	
3	

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PROCEEDINGS

Whereupon,

NOEL C. KOCH,

called as a witness by counsel on behalf of the Senate Select Committee and having been previously duly sworn, was further examined and testified as follows:

EXAMINATION ON BEHALF OF THE SENATE COMMITTEE - Resumed

BY MR. SAXON:

Q Mr. Koch, I want to remind you that since this is a continuation of your deposition you are still under oath.

I'd like to start by covering a few points we didn't cover before. In your meeting with Ben Yosef to negotiate the price on the TOWs, to negotiate it up from the lower price that apparently Mr. Ledeen had fixed, I believe you told us, as best you are able to date, that meeting took place around January 11; is that correct?

A The dating is related to the meetings that were held then in the Pentagon, so we're fixing it as exactly as possible. I don't consider it a very exact procedure.

Q And your best recollection is that the meeting was on a Sunday?

A That's correct.

Q Let me have marked as Deposition Exhibit 1 of

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the continuation -- I don't know the exact number from the previous exhibits -- some appropriate and relevant dates from your calendar for 1985 and 1986, your desk calendar or desk diary, and ask that you would look at it and walk us through it quickly and tell us why you think you are able to date this on the 11th.

(The document referred to was marked Koch Exhibit Number 1 for identification.)

A January 2 is a Thursday. I have nothing in the morning, and it doesn't look like the kind of day something like this would have happened on. It was during the day.

Q All I know is that their records show, their report shows January 2 of '86. I don't know time of day. I don't know place.

MR. ADLER: You were at work? You were at the Pentagon?

THE WITNESS: Yes. I was at work. It was a Thursday and I had meetings and there's no reflection of my doing anything that morning, and it would be on here. If there was a meeting with these people on that day, there would at least be some notation by my secretary that I'm at the White House, that I'm somewhere. I feel much more comfortable with my interpretation.

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Okay. Let me, if I can, just walk through from the beginning without trying to fix precisely.

BY MR. SAXON: (Resuming)

Q What I'd like you to do is on the dates that you have provided to us from your desk diary, if you would, for example, on 19 November 85 tell us what it is that's of relevance there and why you are providing that to us.

A 19 November is the first time within this time frame that the thing is happening that there is an indication that I have had a meeting with someone who would have been involved in the sale of missiles, whether HAWKs or TOWs, and we can take it all around. On the 19th at somewhere between 12:00 and 12:30 I go to see Colin Powell with Hank Gaffney. That tells me that I have had a meeting with Gaffney prior to this. I mean, I wouldn't have gone directly to him because I know that the request came from Colin sometime before this.

It was just for information. I relayed the information and then I think there was a refinement of the process and my sense -- and it would have been consistent with my normal operating procedures -- there wasn't any point in me being a pipeline. If Gaffney had the information, then he ought to convey it directly. But I didn't completely take myself out of it, but

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Gaffney went with me on the 12th.

Q Is there anything else of relevance on the 19th of November?

A I have an interview with a reporter at 2:00, and that's interrupted for me to talk to Gaffney, and then there's no further indication.

Q The next date, then, is January 7, 1986.

A Excuse me. There's a time here that I haven't given you that I didn't notice when we went through this, and that's the 20th.

Q Of November?

A Of November. And it indicates that after the SecDef staff meeting that I talked with General Powell. That could have been on this subject, could have been on 1,000 subjects since I was Acting Assistant Secretary at the time.

Okay. Now we go then to 1986 and you asked me, I think, the first date that I find here of interest is the 7th.

Q So, for the record, let's look at January 2 and clean that up. I believe your statement is that on January 2, according to your records, there was no meeting with anyone which would appear to have any relevance to our inquiry; is that correct?

A That's what the diary shows.

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Q And in particular there is no meeting with Richard Secord, Oliver North, General Meron?

A There's no indication.

MR. ADLER: Let him put his question on the record and then answer.

BY MR. SAXON: (Resuming)

Q So, for the record, on January 2, 1986, your records show there was no meeting at which you were present with General Manacham Meron of Israel, Colonel Oliver North, General Richard Secord, and Abraham Ben Yosef; is that correct?

A That's correct.

Q Okay. Well, on that point do you recall ever having been in a meeting with those individuals on whatever date, if it was not precisely January 2, within that late '85 or early '86 time frame?

A I don't recall that, no.

MR. ADLER: Was it your secretary's practice to have noted on your calendar such a meeting, had such a meeting taken place?

THE WITNESS: Absolutely. She's very diligent about that.

BY MR. SAXON: (Resuming)

Q So you feel reasonably safe, then, in assuming that if it wasn't on there it didn't take place?

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A That's right.

Q Now let us look, then, at your entries on your calendar for January 7, 1986, if that's the next date that you think has relevance.

A On the 7th, at 2:00 I meet with Hank Gaffney. Then I'm interrupted by one of my Africans, and I spent some time with him and resumed the meeting with Gaffney, and then at 2:44 I have a meeting with Glen Rudd.

Q Can you think of any other reason you would have met with those two particular individuals other than to talk about TOW missiles, TOW prices, TOW availability, et cetera?

A Well, there was a range of possible issues, but I can't imagine the proximity in time to what was the central issue here, it seems to me. I didn't meet with these people on a regular basis. When I met with them it was usually an unusual situation. If I had a question that would be one that I would normally have with them, it could be covered in a staff meeting that I would have in the morning or I could call them on the phone. I could even call on secure.

I would work it through another staff member, very likely, so there would be very, very few things. It would be unusual for me to meet particularly with Hank Gaffney with any regularity at all, and so this suggests

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to me that that's what that meeting was about.

Q Is there anything else on January 7? Is there a 4:30 meeting with Rudd?

A That says returned.

On the 8th --

Q That's January 8 of '86?

A Correct.

Q Go ahead.

A There's a meeting -- not a meeting necessarily, but I go to see Colin Powell at 1100 with paper.

Q That says "to General" --

A Powell.

Q With paper.

A Correct.

Q And "with paper", what do you take that to mean?

A Well, I have no idea. I can only speculate that I had to give him the sequence of events that were occurring in this time, that it was related to that, but I don't know. It could have been an invitation to my birthday party, but that's in March.

Q Now there is a 12:30 entry with regard to Ollie North. What does that say?

A It says lunch sponsored by National Defense

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Council, so-called -- organization perhaps -- Capitol Hill Club.

Q On low intensity warfare. But below that --

A Ollie and I went to that together.

Q Anything else of relevance on 8 January?

A No. I don't think any of the subsequent meetings are relevant.

Q The next entry we have is 9 January. What can you tell us there?

A At 1:00 I go to see Glen Rudd. The fact that I went to see him is not necessarily unusual, but if it was something that was on my mind that I wanted taken care of right away I would just go do it rather than call him to come to me or do it on the phone. So I suspect that again this was something that I preferred to discuss in private and expeditiously.

Q Any other relevant entry on 9 January?

A None that I think are relevant, no.

Q The next entry you provided is 10 January. What can you tell us about that?

A Well, again I have a meeting at 10:35 with General Powell. Again I want to remind you that I was Acting at the time and so it could have been on a whole range of issues.

Q And then you have an entry at 2:40 p.m.

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A But I should point out that we had a SecDef staff meeting that morning and anything that would have been germane probably would have been discussed there, unless it was unusual, and that might be the reason I went back to see General Powell, and this thing would have been unusual.

Q And then at 2:40 p.m.?

A Oh, yeah. Okay. Well, that was a meeting with Glen Rudd.

Q So at a minimum, if we look at those dates and the next day, on 14 January, another meeting, there was clearly some activity, some project, some issue you were working with Mr. Rudd?

A Yes, that's true.

Q On 14 January, then, the next entry, Tuesday, what is of relevant there for us?

A I have a meeting at 10:52 with Glen Rudd.

Q Anything else?

A No.

Q And the next to the last date you have provided us is 24 January. What can you tell us about that?

A I go at 10:40 or 11:00 to meet with General Powell and now Rich Armitage is back and I have meetings with him that day. In fact, I have a meeting with him at

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10:40, but then I go to see Powell at 11:00. It would be unusual for both of us to go see General Powell together. I assume that I went to see him. I'm certain I went to see him by myself or, if I went to see him by myself it was probably on that subject.

Q And then the last entry you provided us is 11 March.

A Right.

Q What is of relevance there?

A Well, I'm not sure what's relevant, but what's interesting to me about it is that I had been out of the country now. I went over to Europe on business on the 28th for a conference, and then I had to go to Berlin, and so my trip was extended and it was a long trip and I didn't return until the 11th, which was a Tuesday.

I got into Dulles at 1710 and rather than going home I went to the Pentagon and met with Colin Powell at 1845. Normally coming back from a trip like that I would have gone home. The subject of the trip would not have been anything that I would have been apt to discuss with anybody in the Pentagon.

Q Now you mentioned this meeting to us before. Do you recall what it was about?

A I do not recall. I have no idea.

Q Anything else?

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A I think at some point in this thing Colin Powell said to me -- it was a period when I was out of the country and up until then Rich Armitage was not in the box, and then he said to me at a meeting while you were away I needed this and that and the other thing done, and he did say to me at one other point, I think, that he felt Rich not knowing about this, and so I think when I got back, it may have been to tell me that he had cut Rich in on it. I'm not sure, but at some point he did tell me that.

He told me that face to face. The only thing, again, that I find curious is that I went from Dulles downtown when it would have been much closer to go home. But then I have meetings at 7:00 and again at 7:30 with my special operations staff and I have a meeting also with Armitage that night. So I can't really figure out what was going on.

Q So to the best of your knowledge and recollection we've covered the relevant entries for these dates?

A That's correct, yes.

Q Let me go back then to your meeting with Ben Yosef to negotiate the price for the TOWs and ask a couple of follow-up questions there. For the record, was anyone else in attendance at that meeting other than you

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and Mr. Yosef?

A No, there was not.

Q And to the best of your recollection how many meetings did you have with him?

A To the best of my recollection I had one meeting.

Q Do you have any knowledge which would go toward the confirmation of the fact that there may have been a meeting on 2 January 1986 between General Maron and Mr. Armitage to discuss replacement or replenishment of Israeli TOWs?

A No. My sense is that would have been early in the game for Armitage's involvement, but I have no knowledge.

Q In terms of your negotiations with Mr. Yosef on price what was said by either of you regarding the need for that meeting, the need to be there to renegotiate price at all?

A I don't believe that anything was said between us on that. I mean, you know, we had a specific point to this meeting. We had talked on the telephone prior to the meeting mostly about the modalities for the meeting and when we got together we got together with a full understanding that it was to revise the price to be paid for the TOW, and there was really very little extraneous

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talk.

We went through the subject and we concluded it.

Q Let me see then if I can just clear up one thing that may be odd in the record to anyone reading this subsequently. The previous price that Mr. Ledeen, possibly with the assistance of Mr. Schwimmer, had negotiated with the Israelis was either $2,500 or $3,000 per TOW; is that correct?

A My understanding was it was $2,500.

Q And normally most people would think that the buyer of an item would prefer a low price and would not willingly submit to a renegotiation of a higher price after they had fixed on a lower price. That's what normal commercial practices would tell us.

Is it fair to say then that the Israelis, from what you were able to gather, viewed this as also being in their interest and they wanted to help the deal go forward so they were willing to negotiate the price up?

A Well, it would be a reasonable assumption. I don't think they went into it -- I mean, they weren't looking for an opportunity to have the price negotiated up. They were going to do the deal or not, and I think that Ledeen's authority was so sketchy, in addition to which his understanding of the pricing was to limited

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that nobody could reasonably have held that this number that he had worked out had any weight.

So as I understood the situation it was either get the price up or forget it.

Q I believe you told us that you took away from this negotiation nothing in writing; is that correct?

A My recollection is I did not.

Q Did you have any working papers in front of you, any papers with figures, notations as to price, numbers, et cetera?

A I do not recall that I did. If I did, they would have been very cryptic and I would have thrown them away afterwards. I think I went in, as you would into a negotiation, with my own parameters and with an estimate of what I thought the other fellow's parameters were.

Q Is it your best recollection that you did not keep any notes, records, documents of any sort pertaining to this meeting?

A That's my recollection.

Q Once you left that meeting having agreed on the price I think you told us before of $4,500, how was that communicated by you and to whom was it communicated?

A It was communicated to General Powell certainly, and I'm quite certain that I also communicated to Oliver North.

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Q Would it have been by means of a phone call?

A I probably would have told General Powell face to face, and I probably would have told Ollie on secure.

Q While I don't want to put any words in your mouth, do you think it would have been a fairly brief conversation in which you simply said we had the meeting and here's the price?

A Yeah. I couldn't reconstruct that. It seems to me that I have a recollection that the discussion with General Powell then moved into the Secretary's office. I mean, certainly more than one of them did on this subject, and it seems to me that this question of the price, of having gotten the price into what could be swallowed, you know, was a hurdle for the Pentagon, and I'm not sure that the Secretary was delighted to manage to clear that hurdle.

But I did it, and I think we went in and told him that. And General Powell wanted me to do that rather than doing it himself. And my recollection is that he was rather agitated about the whole thing.

Q Now is your thinking that that was the meeting that you and General Powell had with Secretary Weinberger at which Secretary Taft was present and wouldn't absent himself?

A I think it was. That gets a little stretched

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out, but I think it probably was.

Q Is it your recollection or perhaps your sense that Secretary Weinberger knew there was an earlier price that was not one that the Pentagon could swallow? Do you think he knew the Ledeen-negotiated price of $2,500?

A I don't know. I would have to -- I mean, the price was not a minor issue in this, clearly. It would be pure speculation to say that he did, but it seems to me a fairly sensible speculation.

Q All right. It's clear after that session with Secretary Weinberger you fairly well know his views on all of this. Do you think you knew that he was rather negative to the idea before you had your negotiation session with Ben Yosef?

A Oh, yes, of course. We knew that going in. I knew what my own feelings were and I know what General Powell's feelings were, and I knew that reflected the Secretary's feeling. So that awareness of the attitude of the leadership came immediately with knowing what these items were for. And that much preceded the question of the price of the TOWs.

Q Had you met Ben Yosef prior to that meeting?

A I do not have a recollection of having met him.

Q Have you met him or spoken with him since that

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meeting?

A I have not.

Q What do you sense was Colonel North's understanding of TOW pricing that would lead him to believe, when you communicated this price back to him, the $4,500, that it was reasonable enough a basis to get the TOWs from the Pentagon?

A I'm sorry? Just to explain, there was no enthusiasm in the building for doing it. Some of that, of course, some of that lack of enthusiasm, to put it euphemistically, reflected on Ollie. You know, they were not happy. Ollie was in the middle of this thing, running it, not that he had dreamed it up but that he had it handed to him and he had been dealing with it and finding solutions to these problems.

So the idea that it was possible to get an acceptable price, a defensible price, as I said before, was not a happy situation. And, of course, there was a consensus, a very small consensus in a very small group of people within our building that there was money being made somewhere in this thing. Certainly somebody was getting screwed and the Israelis were not passing these things on for what they were paying for them.

And what that price was, we didn't know. That of course is what complicated the negotiation. But

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Ollie, I think, you know -- I don't know that Ollie had an idea in mind what the price should be. It had to be something that could get those birds out of the Pentagon.

Q Okay. I understand that, and maybe I didn't ask my question precisely enough. But as we now know, it is possible to make a case and justify selling a TOW for less than $4,500 if one looks at the AMDF price for a basic TOW of $3,169, adds a MOIC for roughly $300, and gets a price of $3,469. If you add some money for crating, shipping, handling, et cetera, you are clearly within the ball park of $4,500.

People at the Pentagon, as we know, later in January, from roughly January 18 through the next week or two, as this began to be worked by the Army, began to come up with that price. It began to surface. There had to be some time at which that information, either that precise information or something in that nature in terms of price, was communicated to Colonel North to let him know that $4,500 was not only the price you had come up with but that it was workable.

A Um-hum.

Q Now you may not know the answer to this, but my question is do you have any information, were you provided any information by Colonel North or General Powell or anyone else that would lead you to believe

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somehow this basic TOW price information had been communicated to Colonel North so he would understand $4,500 was good enough to pry the TOWs out of the Pentagon?

A I don't know that. I know that, as I indicated in previous testimony, that he knew that the price that had been negotiated by Ledeen wouldn't fly and therefore it had to come up, and we were dealing with sets of theories in this thing, basically, as you would in a negotiation. It had to come up to where, you know, you could plausibly peel Weinberger off the ceiling. That was sort of -- and that's what we tried to shoot for.

I don't think there was any magic in the numbers that we were dealing with. We just knew that he had a number that was so low that it couldn't be used. It was not a useful number.

Q On that point, do you have any idea of why he knew $2,500 was too low? I mean, if we look at the data we now know in terms of the $3,500 roughly clearly $2,500 is too low. Did he tell you he had checked and that that was too low?

A I don't know that he told me he had checked. He knew it. It was clear to me both from my discussions with him and from my discussions with General Powell that

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he had had prior discussions with General Powell, so I wasn't present at the creation of this, and who he found out from that $2,500 was an unacceptable price, I don't know, but he did know it. And it seemed to me that he was knowledgeable on the matter.

Q Okay. It's clear from what you've told us that you played a pretty important role in this early pricing stage, but that you pretty much phased out of things from that point on. But were you ever provided sort of updates or status reports by General Powell or Colonel North or anyone else through the time you remained at the Pentagon on where all this stood, whether it had gone forward, whether it was succeeding, et cetera?

MR. ADLER: Let me object here. I mean, he has testified that there were meetings and discussions and there's been a fair amount of testimony along those lines.

BY MR. SAXON: (Resuming)

Q I guess what I'm getting at, beyond one session for sure with Secretary Weinberger and possibly a second one, and beyond a February 8-9 meeting that involved [redacted] and Secord, which we've already gone into, I don't believe there are any other specific matters in terms of meetings or discussions.

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And I guess what I'm asking is, as you may have been talking with General Powell about something else or you may have been talking with Colonel North about something else, did anybody ever tell you where things stood on all this?

A No. I mean, I can't believe that nobody did. It seems to me my recollection is that after that negotiation and then after the information was conveyed and so forth then, as it had done with the HAWKs, this issue died as far as I was concerned, and I was involved in a number of other things totally unrelated to this.

If I can recapture as a way to do this thing, I know it may sound very strange to you but I didn't know who else knew about this. I knew Ollie knew it, and I knew that Colin Powell and the Secretary knew it. I didn't know whether Bob Oakley knew it. I didn't know whether Dewey Clarridge knew it or any of the other people involved. And we had other actions going on related to the hostages.

We could sit in a meeting in the sit room and be discussing these other activities, and fall into almost a kind of, you know, warp in which you wouldn't know whether you were talking -- I mean, the use of shorthand and so forth in the discussions, you couldn't tell whether we'd suddenly slipped into this question of

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selling arms to get them back this way or whether we were still discussing the other thing.

And it was the most intricate interweaving of subjects and half meanings and innuendos and so forth, and it was like something out of a Parandello play.

Q I understand that you were, and you testified earlier, that you were not clear. You did not know exactly who was in the box, as you put it. But of those people who you knew were in the box -- and that would be Colonel North, General Powell and Secretary Weinberger and possibly General Secord -- if in fact there was an early February meeting did you ever have occasion, given that you had been involved in negotiating with the Israelis on TOW missile prices, which is not your normal duty, did you ever simply say, by the way, did we ever get the TOWs, did we ever sell them, did the Iranians ever get them of any of those people you did know had knowledge?

A I would, I'm sure, on occasion say where's thing stand or how is it going, and I would get some kind of a progress report because, you see, again there are other actions proceeding on separate tracks, so the fact that they are proceeding tells you that this thing hasn't been brought to fruition, if you see what I mean.

So from time to time this came up, as I said,

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and, you know, it might be after a meeting at the White House and I would have an aside with Ollie and say where does this thing stand? And I don't remember what the curve looked like on this. It would be like a fever chart. There were peaks and valleys and periods when we were for sure we were going to have it, and then it would fall apart. But I was not a player in this.

It was just because I was working the terrorism stuff and I was involved in all the other things these people did. There would be occasional casual references as would pass between knowledgeable colleagues, but I didn't consider that I had a particular need to know in any detail and I didn't try to be informed in any detail.

Q Now normally I believe Lynn Rylander would have staffed you on certain matters, either terrorism matters or special operations matters; is that correct?

A That's correct -- not terrorism matters. I kept that compartmented and kept him away from that.

Q Special operations?

A That's right.

Q I don't know if Rylander is a he or a she.

A There is some question.

Q I don't know whether the name Lynn is a male Lynn or a female Lynn.

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A It's a male.

Q Did you ever have occasion to task Mr. Rylander to do anything in terms of these matters you were working on on TOWs -- pricing, price issues, price data, et cetera?

A I don't think so. That would be extremely unusual. If I did, he wouldn't have known what he was doing.

Q Let me ask you a couple of general questions regarding your dealings with the South Koreans in your job at the Pentagon. Did you have occasion to deal regularly with the South Koreans?

A Yes, I did.

Q And to meet with people or to deal with people at the South Korean Embassy?

A Correct.

[redacted]

Q And did you ever have occasion to use their embassy facility if you were there to make a phone call or whatever?

A I would have occasional meetings. I think while I was in the government the normal procedure would have been for them to come to me. That would have been the nature of that relationship. When I left I

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maintained the relationship and still do with the Korean Government in a private capacity, and the man who was their defense attache [redacted] And so that relationship has continued.

And if I was there to meet with him and had to call my office or call a colleague or something on a subject it would not be unusual for me to use the phone.

Q Just as you and Mr. Adler used our phones here this morning, since that's where you were and you needed to make calls?

A That's right.

Q Did you share with Colonel North Secretary Weinberger's concerns about the legality of the TOW missile transfer?

A Did I share Secretary Weinberger's concerns? Did I share them with Ollie North?

Q Yes, and I don't mean to characterize them in any way particular way, but you did indicate there was some discussion.

A He knew that the Pentagon was damned unhappy about this and specifically that the Secretary of Defense was.

MR. SABA: How did he know that or how did you know he knew that?

THE WITNESS: You know, I don't know. I mean,

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I just know. I don't remember that at a certain point somebody said, by the way, how does the Pentagon feel about this. To most of us this came as a shock in the beginning. It began with the assumption that what you were doing was outrageous and then you worked back from there. You know, how was this being done and, if so, damned outrageous.

But the point of departure was that this thing is screwy.

BY MR. SAXON: (Resuming)

Q Let me separate out, if I can, general Pentagon concerns or even the Secretary's concerns about the wisdom of the policy and simply go to the fact that there was at least some question about the legality of the action. Was that ever communicated back to Colonel North?

A That I don't know.

Q It was not communicated by you at least?

A It was not communicated by me. I never thought that that was a concern, frankly.

Q As best as you know --

MR. SABA: I'm sorry. So that's clear, you never thought that was a concern?

THE WITNESS: I never thought there was a question about the legality. I would have thought it was

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dumb for other reasons, but I didn't know whether it was illegal. But it didn't occur to me that it was until a point at which it almost sent me -- in a jocular way I asked the Secretary, you know, do we have a legal problem here. Could somebody go to jail over this? And he said yes.

BY MR. SAXON: (Resuming)

Q As best as you know, were there ever any discussions or meetings which you had with Colonel North, General Powell, General Secord, Secretary Weinberger, Ben Yosef, Glen Rudd, Dr. Gaffney, anybody to whom you might have spoken or dealt with in these matters, which were electronically recorded?

A Well, you don't know, do you?

Q But to your knowledge none of these sessions or discussions were recorded?

A I didn't record any of them, and that's the only thing I can sign up to.

MR. ADLER: Let me ask a question. Going back to your question to the Secretary about could anybody go to jail about these activities, did you have in mind when you asked that question any particular statute which might have been involved, or were you focused on a particular law?

THE WITNESS: No, no. It was just that -- I

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mean, there was, as I said, a consensus among us that this was dumb. Now obviously some of us might have come to that conclusion for different reasons then others. I worked terrorism. I understand this business and I understood that what we were doing was going to produce more of what we had, more of the problem that we already had, and I assumed that this was the Secretary's concern, in addition to which he had sort of a visceral apparent dislike for Iran anyway, at least for the regime.

And I thought that these were the reasons. But it didn't seem to me that any of those in and of themselves justified what appeared to me to be a very substantial degree of agitation. And so in looking for the additional reason I said, have we got a legal problem. Is somebody going to go to jail over this? I didn't say it in any serious way. I didn't think the answer was yes. It was just almost a sort of to cut the tension a little bit. But he said yes.

But he was concerned not so much, it seemed to me, and he said -- I mean, it wasn't that he sort of ranked his concerns and my sense of it was that the very top of it was that this was going to be a political disaster for the President, a domestic political concern. And that seemed to me was what was before everything else. I don't think he thought that the legal dimensions

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of this were that important either, and I felt that if he did feel that way, and the reason I didn't take it very seriously, to be perfectly blunt about it, was that he was clearly not prepared to resign over it.

And if what we were doing was illegal, it seemed to me that -- and it had all the attendant dangers of doing something illegal, that he would have said I'm sorry, I can't be a part of this any more and he would have left. I would have thought I would have done that.

BY MR. SAXON: (Resuming)

Q In your tenure at the Pentagon had you ever seen him express views which would suggest that he was ready to resign over a particular matter if it didn't go the way he wanted?

A No. I never did see him do that. But I was not exactly an intimate of the Secretary's.

Q Let me ask you about some of your hostage dealings. We understand that some things you were involved with are not relevant to our inquiry so we don't intend to get into those matters. But, as you probably know from testimony that the Committees have heard thus far, there is the DEA, Drug Enforcement Agency angle on some of this. So let me ask you a few questions about that.

First, did you have any involvement yourself

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in the recruiting that apparently went on by General Secord of DEA agents to be used for certain portions of these operations?

A No.

Q Were you aware of General Secord's involvement in the DEA portion of the hostage rescue operations?

A Was I aware of General Secord's involvement?

Q Yes.

A I don't think I was. I don't think I was.

Q Were you aware that there was a plan to provide some cash payments for [redacted] as they have been characterized, in the Middle East for information as part of this DEA operation?

A My recollection is yes, that I was, but you had a number of -- I mean this was sort of amorphous information or ambiguous because -- and I think the question that confronts us today is when does a payoff become a ransom. I mean, if I'm paying you and you're a bounty hunter and I say if you can get these guys back it's worth $50,000 or for information or for anything else, it seems to me that's a very legitimate.

If it gets up high enough to where you can make money and you can buy, you can do that too. I never thought that money was going to get this deal done no matter how high the numbers got. In my judgment, we were

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not going to be able to buy these people back.

So no matter what sums of money were disbursed I would have assumed that it was for information, for setup. It costs a lot of money to run a rescue. We had limited assets there.

MR. ADLER: His question had at the end of it were you aware of that knowledge in connection with the DEA operation? Were you aware of what you testified to in connection with the DEA?

THE WITNESS: Well, I knew, and while I was not directly involved in it, I knew from discussions that we had some drug people who were helping us there, and whether the money was for them or what money or where it went, that I didn't know.

BY MR. SAXON: (Resuming)

Q Let me make clear, too, that when I say cash payments I guess that's a bit loaded and has a pejorative connotation. But I simply mean that in the sense of it being wholly appropriate and proper in this context. I don't mean to make fine distinctions of what's expense money and walking around money and payoff and ransom and so forth but as a shorthand way to ask the question.

Were you aware that there was a desire or a plan to wor[redacted]nd that in fact certain agents went [redacted] for money that was given to them by

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Hakim, Mr. Albert Hakim, to be used in this operation?

A No.

Q As far as you know, at the time that this was going on were you aware that Mr. Hakim had any involvement at all?

A No. I was not aware of it. I mean, you know, Albert was a fixture, but I didn't know that he was involved in this.

Q Were you aware that any Swiss bank accounts were being used in this operation?

A No.

Q For the record, in your tenure at the Pentagon have you ever had occasion in official capacities to use Swiss bank accounts?

A No, I have not.

Q To your knowledge does your name appear anywhere as a signatory to a Swiss bank account?

A I don't think I want to answer that in front of my lawyer.

(Laughter.)

I have to pay my bills. The answer is no.

Q For the record I thought we ought to ask that one. Were you aware on the DEA operation that there was a plan to use a ship purchased by General Secord and Mr. Hakim?

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A No.

Q Were you aware generally that the DEA agents in this operation, more or less reporting to Colonel North, had developed various [redacted] that were going to be used?

A Again, no, I don't think so, not specifically.

Q Is there anything about this particular portion of the hostage rescue plans, of which there were apparently many -- the DEA angle -- anything that you know that we should know that I have not asked about, particularly as it involves Colonel North, General Secord, Mr. Hakim and the things that have been made public thus far in these hearings?

MR. ADLER: Off the record.

(A discussion was held off the record.)

THE WITNESS: The plans for a rescue were perfectly legitimate. The procedure was legitimate and I don't know how much you know about that or how deeply you want to get into it, but it was a straight-out, honest deal that wouldn't have required Swiss bank accounts. It certainly wouldn't have required anything that couldn't be sold to a court.

BY MR. SAXON: (Resuming)

Q Was Project SNOWBIRD the code name for all of the rescue operations for the hostages or some particular

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one?

A Probably some particular one. It sounds like it would have involved drugs, so maybe it was part of the DEA thing.

Q Does that ring a bell to you?

A It doesn't, but these code names, we had so damn many of them, they changed with some frequency, so, you know, when you were talking privately you tended to talk generically. I mean, are we getting the sons of bitches or not? And of course since you were the only guys who were talking to each other, the whole question of code words seemed in and of themselves silly.

Q For the record, let me have introduced and marked as Deposition Exhibit 2 the two letters you have provided us which reference and further explain some things we went into earlier in the first session of the deposition, and that is simply your resignation letter to Secretary Weinberger dated 5 May 86.

(The document referred to was marked Koch Exhibit Number 2 for identification.)

As you have explained it to us, after the Secretary received this letter he asked you not to resign, and then after some consideration you followed that with a letter dated 7 May 1986 in which at greater

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length you explain some matters. Let me simply note we are receiving these and will make them part of the deposition and part of the formal record.

Is there anything that's of great relevance that you want to say with regard to these letters?

A Only that the question has been raised, and I'm aware of that question having been raised, about why I left the Pentagon, and that seems to be related to was there some wrongdoing. And then there is another question of whether I was forced out because of my activities in trying to restore a special operations force. And neither of those are true and not only wasn't I forced out, but the Secretary was very vociferous in requesting that I not leave.

And so I wanted it made clear exactly why I did leave, and I think that second letter does make it pretty clear.

Q One final question before Mr. Saba for the House has some further questions. Have you spoken with the Independent Counsel in these matters?

A No, I have not.

Q And other than the sessions you have had with myself and other members of the House and Senate Select Committees, have you talked with any investigative or governmental authorities or bodies about these matters?

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A I had yesterday my former military assistant received an award at the Pentagon and I went to the Pentagon for that praising. The award was held in Rich Armitage's office and he asked me if I would stay. He told me that the reason that he had been calling me -- and I had not returned his calls -- was because he wanted to tell me what he was hearing.

He said, I don't want you to tell me what you're doing or anything like that, you know. One had a sense it was an overture of friendship, really.

Q Your impression, for the record, was that there was nothing improper or unhealthy about his wanting to talk with you?

A Well, he's pretty prudent and conservative. I assumed that whatever he was doing, you know, was all right. I didn't say too much. He told me generally -- as much as anything he was talking about what the press was questioning him about.

Q Did he tell you what he had been hearing?

A Yeah.

Q Are you at liberty to tell us?

A In general ways. I don't think the question of, you know, what was my involvement. He said they deposed me for about three hours. You occupied about 15 minutes of that. There was a question of our

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relationship. He said I told them that I considered Noel to be a friend, but I don't think he considers himself to be my friend. And I had a sense he was fishing for some, you know, like oh, well, you know, when it's all over things will be fine.

And he brought this up again later in the conversation and I said, I just made it clear that we were very close friends and it was a problematical relationship and it could not be characterized to say we were enemies. So that was part of it. It really was a kind of an effort to clear the air as much as anything else. I don't think he told me much that was particularly useful to know so that I could avoid getting in trouble or anything like that.

Q Did you tell him that you had been deposed?

A I'm not sure I did. I was fairly unforthcoming, as a matter of fact. I told him that I'd been interviewed. I did tell him, in fact. I told him that I had been -- that's right, I did.

MR. SAXON: I believe that's all I've got.

THE WITNESS: Before we finish this portion of things, I want to go back on the question of subsequent discussions on the disposition of this effort -- you know, what's happening. There was, I think -- I'm not even sure I was still in the government. There was one

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delivery that I was aware of, and I can't recall now.

I remember I was supposed to have lunch with Dick Secord and he had to cancel it or something, but the point was that he had something else to do and rather than cancel it I came along. And I was told that I would not be introduced.

BY MR. SAXON: (Resuming)

Q You accompanied General Secord to a meeting?

A To lunch. But they would not introduce me at the lunch because they didn't want the people they were having lunch with to know who I was. It seems to me I was still in the Pentagon during this period.

Q So it would have been prior to when?

A Well, it could have been, because even though I officially resigned the 30th of May I stayed on in accordance with a commitment that I had made until they brought Ropka in, and that was in August, so there was this period and it could have been in that period.

Q Who was present at the luncheon meeting you attended?

A There was Secord and Dick Gadd and two or three other people who were the crew of the plane that was going to take this stuff down.

Q The TOW missiles or the HAWK parts as opposed to the contra side of things?

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A Oh, yeah, it was Iran. It wasn't contras.

Q And did they discuss the mission itself and delivery at the meeting?

A No. I think I had a sense that they were going to later on or something. They were getting together. Either this was just a work break, that they had had a discussion and were going to continue it, or something like that, but the discussions at the table were pretty innocuous.

Q Was Colonel North there?

A No.

Q These were Secord's people and Stanford Technology people, the best you know?

A The crew?

Q Yes.

A I think they were probably SAT people.

Q Southern Air Transport?

A Right. And then the last time was, of course, when this thing went down once and for all was in November, and it happened that Dick and I were in London at the same time and I guess I knew, you know, that we thought they were going to close it and so I suggested as a reason for being there that he accompany a conference, accompany me to a conference where I was speaking, and he thought that was a good idea.

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And as it happened the afternoon he was supposed to speak he had to disappear, so I mean they were working this thing actively.

Q Roughly when would that have been?

A That would have been November 1, 2, 3, 4, something like that.

Q Early November 1986?

A Yes. And then I also invited him for dinner with friends of ours in London that evening and he joined us for that. And, of course, we were talking about this at the time.

Q At that point had the news story from the Lebanese paper about the McFarlane Tehran trip broken?

A No.

Q But was there a sense things were winding down in terms of the activities or about to break in terms of public?

A No, no. The idea was we were going to get our people and he was confident. And we had all been up and down on this thing, but he thought that they'd got it now. And so there was a sense of tension. He had other people there. Albert was there. I did not meet with Albert or see him, but I knew where he was and we were staying in different hotels.

Then whether it was pursuant to this dinner

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that I was hosting or what, I don't remember, but I called him. We had -- was it Jacobson that was the last one we got out? I guess that's who came out.

Q I'm not sure. I think that's right.

A Anyway, my sense was we were going to get a package --

(A discussion was held off the record.)

A I think my sense was that this was a package deal and then it started to unravel. And so I was talking to him. I called him on the phone and I probably said something about who would be attending dinner that evening and I could tell. I said how's it going. He said, we got one, and I could just tell by the tone of his voice that this thing had just gone to hell in a handbasket.

I said you're upset, aren't you? And he said, yes. And I said, what's the matter? He said, there's a delay. I said, can you fix it? And he said, I don't know. I'm trying.

Q Is it your statement, then, that in those first discussions, I guess earlier in the day at the conference, that if it was Jacobson he had not been released and the expectation was to get either more or all?

A He had not been

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Q And then later the day you had the conversation that Jacobson had been released and he was the only one?

A Yeah.

Q At any point in those discussions was General Secord -- and I think we asked you this before, but let me ask it for the record -- did he ever in any way mention or allude to or expressly tell you about his involvement on the contra side of these matters?

A Never.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q I'd like to change the subject for a few moments. Mr. Koch, could you tell us when you first met Mr. Michael Ledeen and just briefly review your relationship with him?

A I think the first time I met him was probably at a Young Presidents organization meeting in Las Vegas. This gets racy, doesn't it? And I don't know when that was -- '82 probably. Let me see. Yes, it would be '81, I guess, because, come to think of it, Ledeen was just around, in a sense.

He seemed kind of ubiquitous, you know. He did some writing and he did seem to be on Ikle's calendar and he was over at the State Department. And the reason

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I can date -- we seemed to know each other casually and this meeting in Las Vegas may have been in '81. But by the time of the kidnapping of Jim Dozier Ledeen was trying to play some sort of a role in this.

Q How do you mean?

A How do I mean? What kind of a role?

Q Yes.

A Well, he would call me, you know, at the Pentagon -- how are things going and so forth. And I wouldn't say too much because it wasn't too much to say. And I remember at one point he indicated that he was trying to make sense out of a communique that had come alleging to be a statement by Dozier. It wasn't clear what we had at first because it hadn't been translated. It wasn't clear whether it was a statement by the Red Brigades, the people that were holding him, or whether it was by him.

But Ledeen speaks Italian and he was going through this, and the sense was I'm trying to help you to see if there is a coded message in here somewhere. It was all sort of very amateurish.

Q What did Mr. Ledeen indicate was his interest in such matters?

A Well, he was supposed to be an expert on terrorism and, of course, he had spent a fair amount of

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time in Italy, and that was one thing that he did seem to know. He was acquainted with Claire Sterling and so forth. But one had a sense that he was legitimate. He was around. He was in and out of the building and he was working for Haig, and so I thought he was okay.

But he just didn't come into my work because he didn't seem to know too much about it. But he was pegged as a terrorist expert.

MR. SAXON: Let's go off for a second.

(A discussion was held off the record.)

BY MR. SABA: (Resuming)

Q All right. Continue.

A So then, as I said, you know, we were just preoccupied with this thing. There wasn't much time to deal with Ledeen on it because he wasn't somebody who played, who seemed to know much about it. So he wasn't useful. And on that account, you know, I didn't have much to do with him, but he did call a few times and I thought it was just in the interest of being helpful.

And I had no indication. I mean, I had no convictions about his understanding of his business. But in the specific instance in which we were working, there was no use for him and he wasn't part of my operation so I didn't pay much attention to him. He was very friendly.

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And as things went on, I don't know, I think probably in '82, at some point, General Haig left and then somehow or other as a consequence of that Ledeen was out at State, as near as one could determine. All this was always very vague. Again, as I say, he was part of the group of people that one had a sense knew people. Again, he knew Ikle. He knew others, and he always represented himself as somehow part of the family. He knew Perle. Perle and he were pals.

Q This is Richard Perle?

A Yes. And Bryan, Steve Bryan. So, you know, it wasn't one of those things where you asked to see his credentials. Why are you in the building?

And at length he asked if he could come over, you know, that he couldn't stay at the State Department, I think, or something like that. And so one way or another -- and I don't know whether it was directly with me or whether it was through Ikle, whether he was already a consultant and I used him or whether I put him on my books -- but in one fashion or another we had a consultant relationship.

And there are others also. I mean, Bob Kupperman, it seems to me, was another one who was in this position. It was just sort of a list of people that are there. If you don't use them, you don't pay them.

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But Ledeen would come around with some frequency to read the classified, and we'd chat. How are you doing? What do you think about what's going on? And it was casual.

It became somewhat social. We had them over for dinner once or twice with others, and we visited them the same way -- nothing intense. We didn't do a lot of visiting back and forth. It was a very casual relationship. And this is stretched out over an extended period of time, by the way.

Then somewhere in the late '83 time frame I took Ledeen on a trip with me. I was going to Italy. I thought it might be useful for me if he knew people in Italy that I didn't know, that that might be helpful to us. And the itinerary of the trip, in no particular order, involved Italy, Turkey, Israel and Germany, I think. When we got to Italy there was problems right away because evidently there was a great deal of distress in the embassy that I had brought him, that he was in-country.

And so that was the first time that I discovered that he had had problems with the embassy and with the Italian government, evidently.

Q Could you very briefly outline what that concern was?

A Well, I never really quite understood. It

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dribbled out over a period of time that he claimed that they had hired him to do work as a consultant and that they had never paid him. Their story was that he had never done the work.

Q By way of a contract dispute, then?

A Apparently. But there was more than -- then, at that time, or a later trip, the people in the embassy told me that he had started rumors in Italy [redacted]

Then again I don't recall the time sequencing, but he came to see me one day and was upset about something, and what it was was there was a story that ran in L'espress or whatever their Time magazine is indicating that the new director of SISMI, which is their external intelligence -- S-I-S-M-I -- Admiral Martini, and I'm paraphrasing this, that he had gone before Parliament shortly after his accession to this job and among other things had been asked what are you doing for your country. And, as Michael put it, he said well, the first thing I've done is PNG Michael Ledeen, on which account Michael was suing, he said, suing this magazine.

He couldn't figure out why Martini didn't like him. He said Martini was [redacted] his, and it turned

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out he said he wasn't a friend of his. The whole damn thing was like a soap opera. And so he went off, you know, to sue either Martini or the magazine, or whatever.

Anyway, so you know, these kind of vexations in the middle of a professional relationship are not particularly useful. [redacted]

You know, it wasn't something I was working or that I thought I cared about awfully much. [redacted]

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I asked him to join with Kupperman in

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producing a white paper on terrorism or trying to drive the State Department, which wasn't doing very well in this business of terrorism.

MR. SAXON: That's Bob Kupperman at CSIS?

THE WITNESS: Yes. I think Kupperman made his contribution to that. To the best of my knowledge, Ledeen never did, and that dropped. But Ledeen, you know, came around and he would read the classified on a fairly regular basis, and that bothered me because, first of all, it occurred to me it was finally obvious that he didn't know anything about terrorism, except possibly what he gleaned in Italy from people he knew there.

And second I was concerned that he wrote and that he clearly rolled this information over, even if it was only in the building or within the Administration. He was of no use to me, so I told my military assistant not to show him the classified any more.

BY MR. SABA: (Resuming)

Q When did you cut him off from the classified? Do you recall?

A I can't be real positive, Joe. It would have been late, probably sometime in '84, mid to late '84. The cause and effect of this was immediate and he stopped coming around. After about two weeks we didn't see Michael around.

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There was one other thing that I considered strange, and that was that he gave me -- he asked me if I could get two documents.

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[redacted]

He doesn't know anything. He's been reading the classified. He's asking for stuff that he can't get. You know, those pieces didn't fall together in any sequential way.

And then the next thing I knew was, of course, we were in the middle of the Iran deal. But the other thing that I thought might possibly be germane was the fact that in most of the places we went, except for Italy, the people who dealt with terrorism he was meeting

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for the first time in a rather goggle-eyed way. These were all great names. He didn't know any of these people. I found that surprising a little bit.

And I can't recall very well, but it seems to me that if I was there, whenever I was there, I would have met with Rafie Eitan, so for sure if I met with Rafie, if I was there, I would have met with Rafie, that Ledeen would have been with me. On one of those occasions, and it may have been one when he was with me, there was the possibility of an Iranian link floated. I had a sense that it was just a trial balloon and I didn't follow up on it.

MR. SAXON: When would you date that?

THE WITNESS: September of '83. And so, you know, afterwards it occurred to me that Michael may have.

BY MR. SABA: (Resuming)

Q Would you say that at that time Ledeen had on that trip met Eitan?

A Yes. I think he did.

Q You do not think he had known him previously to that trip?

A No, no.

MR. SAXON: When you say there was an Iranian link discussed you mean in the context of --

THE WITNESS: The discussion with Rafie. You

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know, I had been -- who felt early on we needed to get straightened out with Iran anyway, and although the hostages were a major part of this question it was more the difficulties that we were having in Lebanon as it related to Iran, and it was also, you know, being able to deal in Lebanon. And this fellow had a man who had a background that could do that.

So anyway I thought that that was the first time he met a number of the people had been on that. And then, as I said, I knew he was involved when this thing cranked up again. When he left me or when I basically cut the classified off, then he just disappeared and he reappears at the White House.

BY MR. SABA: (Resuming)

Q This is in what time period?

A Well, it's probably now we're into mid-'84, somewhere in there, up through '85. Then McFarlane leaves and it's not Mike so much. I mean, Mike would come around once in a while and pay a social call, and the thrust of his -- I mean, he was telling me he was at the White House and what was going on over there and that Poindexter was a great impediment to all the things that needed to be done, and he didn't get along with Poindexter.

Then lo and behold Poindexter becomes National

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Security Advisor, and it was not him but, I think, probably his wife who I saw in the hall and she said, you know, Michael will have to leave the White House and you'll have to take him back. And it was said about that way, like we're all friends in the family and you'll do that, won't you. And I just was non-committal.

Q Do I understand his wife worked for Steve Byron?

A Bryan, right.

Q What was her title, do you recall?

A I don't know.

So then, as I indicated in earlier testimony, I think, Ollie, in our first discussions on this thing, affected a certain amount of exasperation that this had been Bud's thing that had been handed off on him and that Bud had used Mike. Somewhere Mike came into it and Mike didn't know anything, and Mike screwed it up, and they think he took money. So he was that way about Ledeen.

Ledeen, as far as I was concerned at that point, was out of it and yet as it progressed it became clear that he was playing some separate game. He was in it, but I didn't know why and Ollie seemed to be worried about it.

MR. SAXON: Were you aware that in roughly September of 1986 Ledeen went to Rich Armitage to get

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Armitage to open the door for him with Secretary Weinberger and that in fact Ledeen went in to see Secretary Weinberger to talk about these matters?

THE WITNESS: Yes. We talked about that yesterday, by the way, because Rich and I talked about that when that first happened. I said, you know -- he said to me, Rich said, once he was knowledgeable and we both knew that the other was, he made it clear that this was stupid, in his view it was stupid. We could all stipulate that; it wasn't a problem because somebody's going to do it and if the President wants it done, you're going to do it or you leave.

And so the question in the course of that discussion came up with Ledeen, and I knew Ledeen was coming in to see him, and I said, you know, Ollie was worried about this guy. Is he dirty? And he said no. And I said are you sure? And he said no, I took him right down to the Secretary and he told the Secretary a very plausible story about his involvement.

He also told me that much more recently Ledeen had tried to strike up a relationship and calls him up and says, you know, why don't we get together with our families and go to the movies and things like that. And so Rich totally ceased any relations with him because, you know, Rich is not social that way. He's very private

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in that sense. He wouldn't do it with somebody that he didn't much know and who was sort of selling his body in that case.

MR. SAXON: And you say he talked about it yesterday?

THE WITNESS: He talked about it yesterday, yeah, but the point was that Mike has been trying to somehow get back in this thing or what. I don't know -- to cover himself or explain his side of the story or just what is not clear. But what's always been puzzling is that he didn't get out of it when they wanted him out of it.

And the question, of course, is why he didn't.

BY MR. SABA: (Resuming)

Q During your acquaintanceship with him did he have occasion to mention to you Schwimmer or Nimrodi?

A No.

Q Did you know those gentlemen?

A I think I might have heard Schwimmer's name at one point, and Nimrodi is just one of these names, you know, another merchant of death. Nimrodi may have been one of the guys that Rafie had in mind for me to deal with, but I never let it go to that point. And the only name -- in fact, the guy that was there is a guy named [redacted] who was the only one I knew for sure that he

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had in mind to try to put me together with.

And this came up again. Rafie again tried to rope me into this thing much later.

Q Other than Colonel North, did anyone else tell you that Ledeen was making money off of this deal?

A My recollection was that Meron told me that and I don't know to a dead certainty if Mindy said himself that he thought he was or if he said that he knew others thought he was.

Q What was the context of that provision of information?

A It was a casual meeting. Mindy's a friend of mine and I was in Israel on business and stopped by to see him, and it was at a period when this thing was exploding, and it was in the early days, and it was a question of who knew it, of course. I don't know who knew it.

MR. SAXON: So this would be late '86 when the matters were becoming public?

THE WITNESS: Yes. I guess it would be late '86. It seems to me that's about right, or early '87. It had to be late '86. And, as I said, it was as we were speaking, it was popping. And a lot of people were saying I didn't -- remember, this is in the early days of who hit John, and Shultz was saying I didn't know and

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other people were saying oh, yes, he did. Bud said I told him all the time. And nobody had their fibs straight yet.

So we were just sort of wondering.

BY MR. SABA: (Resuming)

Q Did Meron say that he knew for certain that Ledeen was taking money or did you take it to be speculation?

A I don't remember exactly. It seemed to me that there was speculation in the air, that's all, and it turned up somehow in the Tower Commission report and Ledeen was going to sue the Tower Commission or something.

MR. SABA: I don't have any further questions on the Ledeen line.

MR. SAXON: Do you have something else?

MR. SABA: I do.

MR. SAXON: Let me do a couple of quick things.

BY MR. SAXON: (Resuming)

Q One, for the record, your involvement with this negotiating with the Israelis TOW missile pricing, et cetera, did you ever discuss that with Admiral Poindexter?

A I don't think so.

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Q Did you ever discuss it with the President?

A Never.

Q Let me offer as a final deposition exhibit a photocopy of your entry in your desk calendar or diary of 2 January 86, which simply reflects that there was no meeting, as we have discussed a short while ago, with General Meron, General Secord, Colonel North, Mr. Ben Yosef to discuss TOW missiles. That will be Exhibit 3.

(The document referred to was marked Koch Exhibit Number 3 for identification.)

And this is what is purports to be?

A That is correct.

MR. SAXON: That's all I have. Joe?

BY MR. SABA: (Resuming)

Q Mr. Koch, in view of the time and the constraints I know you are under I'd like to ask a few questions concerning your role in special operations in the Pentagon. You have given us some of your background. Could you tell us briefly how your office relates, if at all, to the operational components at the Pentagon that were being established at that time in the Army and the Air Force?

A Well, there were no operational components being established. My office related in the largest

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sense to trying to restore the capability to conduct special operations. That meant restoring those forces and driving the system toward some kind of policy as to what it was going to do with them.

MR. SABA: Can we go off the record a moment?

(A discussion was held off the record.)

BY MR. SABA: (Resuming)

Q All I want to do is I am trying to understand the connection, if any connection between you and the Air Force XOXP and the ODSO group over at the Army. You know, they had a number of programs called SEA SPRAY and those I would view as operational programs. They acquired assets; they did things.

A I understand. The answer is I wasn't involved in that.

Q You were not involved?

A In many cases I had no knowledge of it. I mean, one of the units was one that got itself thrust into the public eye rather forcefully, which was the so-called Intelligence Support Activity, which I felt we needed and I tried to salvage, and we had some success there, although not we but General Stilwell was the one that had to deal with that.

But the activities, I didn't feel that it was my charter to be involved in these things. I was not an

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operator. It was a policy matter and the opportunities that might be available to dabble in these things it seemed to me it would be presumptuous to do it. I did attend exercises. I did try to keep track of what people were doing, mostly in terms of being able to assist them with their needs and to get a sense of their problems, but not to get involved.

And so things like SEA SPRAY, a lot of people would drop references in a casual way on the assumption that I knew what they were talking about, and there was just a certain amount of by accretion I began to get a sense of what was going on where, but I was never in any of those boxes.

Q Was it your duty to establish the means whereby such special operations would be contained entirely within the Department of Defense?

A I construed my duty not to do these establishings, if you like, but just to drive the military. As I say, here's what is necessary. Here's the problem. This is what the world looks like. This is the geostrategic situation in the 1980s and in the future these are the kinds of wars we are going to fight. And you don't have what to fight them with now. I want you to get what to fight them with, and that's basically it.

You guys decide what you need. It's not for

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me to tell you what we need, but they would never -- I mean, they didn't want to acknowledge that the world looked like this.

Q So is it correct to say you did not recommend specific programs of implementation?

A I did not, no. I recommended. As circumstances revealed themselves, as it became clear, first of all, that we had institutional shortcomings, you know, that we weren't structured to make the kind of progress that needed to be made in this thing, that there needed to be some structure, we again said to the military do you see this, and they said yes, and we said, well, you fix it.

You come up with your own solution. Any solution would have advanced the cause of special operations. So they didn't want that. So we began little by little to push on things like the creation of what was the [redacted] That was done because there was a vacuum, because the military refused to fix it. So we said, okay, this is what this thing should look like, so that was how that was created.

And each step along the way, whenever it was can you do this, will we do this, how many of these airplanes do we need, do we have enough, you'd get crap, and so at each time you got more and more deeply involved

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in trying to force the solution.

Q Did you get involved in making recommendations for or implementing any program for funding these operations?

A No.

Q Did you get involved in structuring procedures whereby these operations would become effective -- that is, what would the command structure be and what would the reporting obligations be?

A No, not really. I got involved on sort of the philosophical side of that, but I wasn't directly involved in saying this is what the wiring diagram is supposed to look like, let's do it.

Q Was it your understanding that such programs would follow a structure similar to that of the [redacted] system?

A No, it was not.

Q Did you coordinate your duties in a close way with any other agency outside the Department of Defense?

A Well, not on the special operations side. On the terrorism side, of course, there was a close collaboration with others, but on the special operations thing that was an in-house problem and that's where we did it. The only place I looked to for help really was the White House, and the only source of help over there

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ultimately came to be Ollie North. Prior to that we had gotten an endorsement, you know, the Good Housekeeping seal of approval from McFarlane, but that's about what it was worth, you know. We never got any overt support from over there because nobody over there really had any strength to get anything done.

Q What type of help would you have asked the White House and specifically Mr. North for?

A Well, I mean, the bureaucratic game would have been I need leverage here. I need all the help I can get, and the Secretary is supportive but he's not supportive beyond the point where things get noisy, where he has to prevail on the Chiefs to do what they don't want to do. And he's not going to tell them what to do.

So at that point, when you have no leadership in the Pentagon, at least on this issue, I mean, you can discover on something else, that's true. But on this issue, you know, increasingly it was a tradeoff between Koch, you know, going out and making the quotation of the day in the New York Times, like we've got bands at a higher state of readiness than our special operations force. I mean, they just didn't need that.

And if that was the cost of the restoration period, then there wasn't going to be a restoration, and I didn't think after three or four years of dealing with

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this it was realistic to assume it could be done any other way, and the only way you get movement with the services is you inconvenience them or you embarrass them. But to think you can reason with them is very naive. You shouldn't be in the building if you think that.

Q What type of help would Mr. North have given you?

A Well, he wasn't in a position to give me any help. That was mostly moral support. McFarlane could have, but North was too low-ranking and once North stepped outside the magic circle at the White House to a large extent he was trading on illusion and rainmaking, but when he walked in the Pentagon and he got anywhere near close to the military he was just one more Lieutenant Colonel and one they didn't particularly like a lot because he was at the White House.

You know, that's not a place to get your ticket punched if you are serious about a military career.

Q Would you have sought similar help from McFarlane and then Poindexter?

A What we got from McFarlane was about as much as I thought McFarlane was capable of giving, which was a letter saying the President wants this done, which was fine, but Poindexter, I saw Poindexter as too closely

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allied with that part of the power structure in the JCS that was deathly opposed to this whole initiative. I had enough problems with John just on terrorism without getting into the special operations.

The difficulty with this was always that the animosity that was generated by the special operations initiative would from time to time spill over, you know, when we had a real time terrorist operation.

MR. SAXON: Did you have any input into the decisions about the services' own records retention and records destruction for these kinds of operations?

THE WITNESS: No. I'd be amazed if they ever destroyed anything.

MR. SABA: I have nothing further.

MR. ADLER: Off the record.

(A discussion was held off the record.)

BY MR. SABA: (Resuming)

Q Subsequent to your discussions in 1983 with various Israeli officials did you have any subsequent discussions or meetings related in any way to the provision of weapons or money to any third parties in return for release of one or more hostages?

A You know, we dealt very closely with the Israelis on a regular basis but specifically there was never any discussion with them about arms for hostages.

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That last discussion, to my best recollection, was held with Ben Yosef at the airport and that was that. But there was a discussion with Rafie Eitan.

BY MR. SAXON: (Resuming)

Q At the time you had that discussion who was he?

A Well, he wasn't anybody at that point as far as I knew. I think he had become the head of their chemical company or whatever. I don't think he acceded to that job yet. Rafie Eitan was the Prime Minister's advisor on terrorism and well qualified for that job, and a protege of General Sharon, who obviously was a heavy breather. He was the one that I would deal with on these matters.

Now when the coalition government came in and Peres -- it was his turn on top -- he got rid of Rafie and brought in a man named Amiram Nir, who was the son-in-law of one of his major supporters, who is a publisher of a major newspaper. And that transition was pretty smooth. We sort of missed Rafie because just establishing a relationship with him and the screaming and shouting that that required, once you'd done that you didn't want to see it wasted.

But Rafie went away and then, you know, the Israelis would come over here. You know, there would be

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a message Rafie said hello or this sort of thing. And the word was that Rafie was taking this thing hard. Rafie wasn't very well. Rafie had cataracts and he was going to have an operation. It was kind of family, you know, this sort of thing and the way you get in this business after a while, it's very personal.

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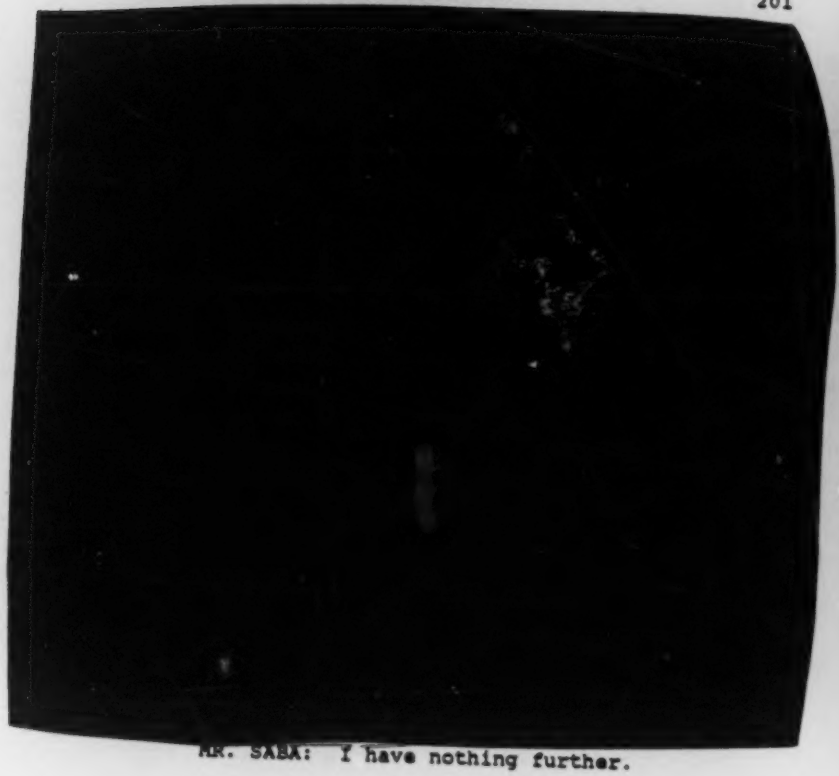

MR. SABA: I have nothing further.

MR. SAXON: Let me simply say for the record, Mr. Koch, we appreciate your having inconvenienced yourself to come back a second time because we weren't able, for our reasons, to finish the first time and it should be noted you appeared here voluntarily. You have been very open with us and on behalf of our two committees I want to thank you very much. You have been

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very helpful.

MR. SABA: Thank you.

(Whereupon, at 12:15 p.m., the taking of the instant deposition ceased.)

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Signature of the Witness

Subscribed and sworn to before me this _____ day of _____, 1987.

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Notary Public

My Commission Expires: _____

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REPORTER

I, Michal A. Schafer, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by ME; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Michal Ann Schafer
NOTARY PUBLIC

My Commission expires: 2/28/90

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DEFENSE SECURITY ASSISTANCE AGENCY

12 Dec 86

Memo For Record

The attached talking points were prepared by me, as Acting Director, DSAA, on or after 19 November 1985, at the request of Noel Koch and Gen. Colin Powell (then Mil. Asst. to SecDef). They were furnished to Mr. Koch to take to Gen. Powell.

[signature]

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-- It is conceivable that, upon satisfactory consultation with Chairmen Lugar and Fascell and their minority counterparts, they might agree to splitting the sale into smaller packages.

- The customer countries (UAE and Korea) would have to be told that their deliveries had been rescheduled, but we would not have to tell them why. We would not want to charge them more for later deliveries.

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Hawk Missiles for Iran

- Missiles are available right now, suitable for foreign sale. There are 164 missiles at Red River Arsenal - 77 intended for UAE and 87 for Korea. Seven of these are intended for tests, but the tests can be foregone.

- The missiles at Red River Arsenal cost $[illegible] apiece. This is not necessarily a firm price, and replacements could cost as much as $[illegible] apiece.

- Thus, the total bill for 160 missiles would be $56-62.5 million. To this, applicable charges would have to be added (NRC cost, administration charge, packing and transport charges, plus storage).

- The missiles for Korea and UAE would have to be replaced, so DSAA will need the money to replace them.

- The modalities for sale to Iran present formidable difficulties:

  -- Iran is not currently certified for sales, including indirectly as a third country, per Sec. 3 of the AECA.

  -- Congress must be notified of all sales of $14 million or more, whether it is a direct sale or indirect to a third country. The notice must be unclassified (except for some details), and the sale cannot take place until 30 days after the notice. The 30 days can be waived for direct sales, but the third country transfer has no such provision, and notice must still be given in any case.

  -- Thus, even if the missiles were laundered through Israel, Congress would have to be notified.

- It is conceivable that the sale could be broken into 3 or 4 packages, in order to evade Congressional notice.

  -- While there is no explicit injunction against splitting up such a sale (subject to check...), the spirit and the practice of the law is against that, and all Administrations have observed this scrupulously.

  -- It is conceivable that, upon satisfactory consultation with Chairmen Lugar and Fascell and their minority counterparts, they might agree to splitting the sale into smaller packages.

- The customer countries (UAE and Korea) would have to be told that their deliveries had been rescheduled, but we would not have to tell them why. We would not want to charge them more for later deliveries.

Partially Declassified/Released on 10/6/88 under provisions of E.O. 12356 by K. Johnson, National Security Council

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political dramatics are equally formidable

-- If Iraq ever found out, they would be greatly irritated. Their sources of supply are more readily accessible than Iran's..however, so there would be no effect in that respect.

-- Saudi Arabia and the other Gulf States would also be irritated and alarmed.

-- If Israel were used as the laundering country, they would be greatly encouraged to continue selling to Iran, and to expand their sales.

-- If the sale became known, all bars would be removed from sales by such countries as Spain, Portugal, Greece, UK, Italy, and FRG, countries who are only barely restrained from overt, large sales to Iran now.

-- In short, the risk is that of prolonging and intensifying the Iran-Iraq war, while seriously compromising US influence over Israel and other countries to restrain sales to Iran.

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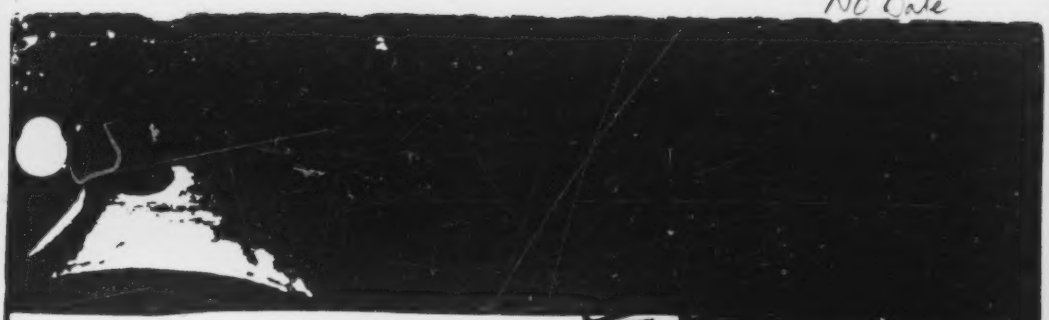

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✓ What worldwide stocks (in other countries)

DEFENSE SECURITY ASSISTANCE AGENCY

Memo For H F 0 93

[redacted] Declassified/Released on 10 Feb 88 under provisions of E.O. 12356 by K. Johnson, National Security Council

· 500

(5386) · From where? Conceal ult. destination

✓ Cost?

✓ How do I legally transfer? What notices? $, quant. detailed descrip., Break into small pkgs.? sensitive technology.

· ✓ What countries can't I legally transfer to?

Reporting Req. (3 ✓)

✓ What other countries might be sources?

we have to tell congress

How quick?

Why transfer?

✓ If gave what 3rd cty transfer restrictions?

UNCLASSIFIED

[redacted]

UNCLASSIFIED

HF 93A

1. Find ban
2. When available?
3. Notify Congress
4. Prepare LOA

UNCLASSIFIED

UNCLASSIFIED

H F 0 94

[redacted]

Red River
Arsenal
(Texas-Ark)

77 (of which 3 steel)
18 (of which 4 steel)
300K

[redacted]

120 300/3600 43 120 LT

UAE produced

16K each

[redacted]

UNCLASSIFIED

1. Find ban
2. When available?
3. Notify Congress

UNCLASSIFIED

H F 0 95

[redacted]

[redacted]

1. 100 to Israel shipped two weeks ago
2. 11 to Sweden (name) others will be sent to

FF. FF.

UNCLASSIFIED

[redacted]

[redacted]

No Date

UNCLASSIFIED

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
INTERNATIONAL SECURITY AFFAIRS
AFRICA REGION

[redacted]

MEMO FOR _____

TOW discussed legislatively w/ Rudd + Gallucci in Dec.

[redacted]

TOW paper docked in Rudd safe, memo to clerk Rudd keep copy.

Original was 2000. Definitely this memo in docket.

Do not keep time after docket. Docket could with possibility I cannot may do the below.

Thereafter Finally memo attach notice one of time fixed to waive Sec. 36(b) (notice to Hill)

CIA purchase (Thompson ACA 17) x Sec.

Replace w/ [illegible]

5387

UNCLASSIFIED

Rock
RH III

82-716 216

UNCLASSIFIED

NC Date

N 1331

- access before transition
- Fear of saviet - left inside
- Anti weather - terrorism
- Tactical success in weather could be to our advantage in that it offers opportunity for settlement.

= People who know

- Smith
- Weinberger
  - Powell
  - Kock
- Casey
  - [redacted]
  - Richardson
  - Allen
  - Carlucci
- RR
  - Wirthlin
  - Don R.
  - Don F
  - VP
  - Baker
  - Howard.

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under provisions of E.O. 12356
by K. Johnson, National Security Council

Koch #3
RH DL 5/29/87

N 409P
(RAGE
NC

UNCLASSIFIED

20 NOV 86
DCI
20 Nov 86, 1200

C 5205

Iran Testimony
21 November 1986

[redacted]out the [redacted] Administration, both the national security community and t[redacted]elligence community have been keenly aware and constantly concerned about [redacted]eopolitical [redacted]ition and the strategic significance of Iran. Much thought [redacted]n devoted to how we might develop contacts and relationsh[redacted]ould provide a better understanding of what is happening there and establish contacts and relationships which might lead to improved relationships later on.

I recall speaking to [redacted] about the importance of [redacted]dentifying and establishing contact with leaders in a future Iran. [redacted] said that we do not know who will emerge to lead Iran in the futur[redacted] that we must gather all the strands and hold them in our hands so [redacted]e will be ready. [redacted]

In the fall of 1985, Bud McFarlane, after a weekly meeting which he and his deputy had with me and my deputy, asked me to stay behind. He told me about discussions he had had at the highest levels in Israel urging the desirability of discussions with officials in Iran and offering [redacted]ls of access. I distinctly recall McFarlane emphasizing that tra[redacted]uch discussions would be the future relationships with Iran an[redacted]portance in the East-West and Middle East-Persian Gulf equation. [redacted]ed to put us in touch with an Iranian expatriate. The Isra[redacted]ey checked out this man's background and contacts exhaustively and had high confidence in the quality of his relationship with high Iranian officials.

5389

A

Koch # 4
RW III 5/20/4

Date 15 APR 87
LRC SSC

UNCLASSIFIED

4465

UNCLASSIFIED C 5210

would transfer funds to a sterile U.S.-controlled
count, overseas bank.

Using these funds, the CIA would covertly obtain materiel
authorized for transfer from U.S. military stocks, and transport
is to for onward movement to Iran.

Using ures, funds were deposited in the CIA account in Geneva on 11 February 1986 and on 14 February 1,000 TOWs were transported to Israel for pre-positioning. These TOWs were transferred by CIA from DoD (U.S. Army stocks in Anniston, Alabama) and transported through using standard CIA-DoD logistics arrangements. Policy-level coordination for these arrange s effected by NSC (North) with DoD (Armitage and Koch) and CIA (Cla e). The TOWs were placed in a covert Israeli facility awaiting onwa ment.

On 19-21 February, U.S. and Iran icials (NSC and CIA) met again in Germany to discuss problems in arr a meeting among higher-level officials. At this meeting, the U.S. side agreed to provide 1,000 TOWs to Iran as a clear signal of U.S. sincerity. This delivery was commenced on the morning of 20 February and completed in two transits to Tehran on 21 February. Transportation from Israel to Iran was aboard a false flag Israeli aircraft.

On 7 March, U.S. (CIA and NSC) and Israeli representative h the Iranian intermediary in Paris to determine whether any furthe was possible in arranging for a high-level meeting with U.S. an cials. During these meetings, the intermediary emphasized the de ic situation in Iran and Iranian anxieties regarding increa effectiveness.

REVIEWED FOR RELEASE
Date 15 APR 87
HSC SSC

DO 4467

CIIN 2165

6 SECRET UNCLASSIFIED

UNCLASSIFIED

TOP SECRET [redacted] NOFORN/NOCONTRACT/ORCON

3 Dec EC

C 4531

[redacted]

WORKING DRAFT (3 December 1986)

(This draft reflects facts available this morning.
Revisions may be necessary as additional facts surface.)

US-Iranian Contacts and the American Hostages

Chronology of CIA Involvement

9 September 1985: LTC Oliver North calls Charles E. Allen, National Intelligence Officer for Counterterrorism (NIO/CT) on secure telephone. North states that he is working a matter of highest importance and stresses the need to hold the information he has to impart on a strict need-to-know basis. Requests Allen, in NIO role, to task Intelligence Community to increase collection on Iran and Lebanon. Asserts that an American hostage, possibly William Buckley, might be released in next several days. Provides a garbled surname of an alleged senior Iranian official who was said to be involved in the release. Allen researches name, identifies individual [redacted]

13 September 1985 [redacted]

Allen requests White House guidance on how [redacted] should be disseminated. LTC North, after consulting with National Security Advisor MacFarlane, directs that dissemination be limited to Secretary

5390

Koch #5
RH III Stoltz

32819

CIIN 1821

TOP SECRET [redacted] NOFORN/NOCONTRACT/ORCON

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8-9 February 1986: LTC North requests [redacted] and Allen to come to the Executive Office Building for a meeting on future actions relating to the Iranian initiative. Also in attendance at this meeting are Secord and Noel Koch. LTC North presents a detailed schedule relating to shipment of arms to Iran, each coinciding with the release of an American hostage and, ultimately, the return of the body of American diplomat William Buckley.

11 February 1986: Iranian expatriate arranged financing for 1,000 US TOW missiles; $3.7 million moves into a CIA account. The total amount of funds which may have been involved in the operational transactions is not known to CIA because the financing and all other transactions are handled by private investors and intermediaries. Those transactions of which we are aware are set out in sequence below.

13 February 1986: CIA obtains 1,000 TOWs from DOD's Army Logistics Command. These TOWs are transferred by CIA from DOD (US Army stocks in Anniston, Alabama) and transported through [redacted] using standard DOD-CIA [redacted] logistics arrangements.

15 February 1986: CIA delivers TOWs to Kelly Air Force Base., NSC arranges for private transport to Israel by Southern Air Transport, a former Agency proprietary.

19 February 1986: DDO/DC/NE and LTC North meet in Frankfurt with Iranian expatriate.

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UNCLASSIFIED SECRET COMPARTMENTED

U.S. HOUSE OF REPRESENTATIVES
PERMANENT SELECT COMMITTEE
ON INTELLIGENCE
WASHINGTON, DC 20515

D 51

November 25, 1986

Honorable Caspar W. Weinberger
Secretary of Defense
Washington, D.C. 20301-1000

Dear Mr. Secretary:

Enclosed is a transcript of a briefing before the Permanent Select Committee on Intelligence of November 21, 1986. This transcript contains Covert Action material and must be protected accordingly. Pursuant to Rule 4 of the Rules of the Committee, it is requested that appropriate corrections be made and completed transcripts returned within five days following receipt. This same rule provides that "Corrections shall be limited to grammar and minor editing, and may not be made to change the substance of the testimony."

Pursuant to its procedures to protect transcripts of executive sessions, the Committee is transmitting the enclosed transcript with the understanding that it is provided on temporary loan and that no copies will be made thereof.

Also enclosed are questions for the record. It is requested that your responses to these questions and the edited transcript reach the Committee by December 5, 1986.

With best wishes, I am

Sincerely yours,

Lee H. Hamilton
Chairman

1/25/88

Enclosures

Koch #6
RHTT 5/20/87

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SECRET

Upon removal of enclosure this document becomes UNCLASSIFIED

UNCLASSIFIED [redacted] D 83

SUBJECT: Questions and Answers for the Record from Secretary of Defense Testimony Before the House Permanent Select Committee on Intelligence, 18 December 1986 (U)

1. The Committee requests a copy of the Army Inspector General/ General Counsel report on their investigation of the pricing of TOW missiles transferred to the CIA.

A: (U) Upon completion of the report, a copy will be provided to the Committee.

2. The Committee requests a copy of the Secretary of Defense memorandum and marginal notes on the Draft NSDD of June 1985

A: (U) These are provided at TAB A.

3. Was the basic TOW sold to any other country in the last two or three years?

A: (C) Yes. From FY 1983 to FY 1986, basic TOW was sold to the following countries (quantities in parentheses): Japan [redacted], Kenya [redacted], Korea [redacted], Morocco [redacted], Somalia [redacted], and Thailand [redacted].

4. Did General Secord have any kind of Consultant contract, or other relationship or post, with the Department of Defense after his retirement?

A: (U) Yes. Following his retirement on 1 May 1983, MG Secord was approved as a consultant appointee for the Office of the Assistant Secretary of Defense (International Security Affairs), specifically for the Near Eastern and South Asian Affairs Region. Effective 11 July 1983, MG Secord was authorized 130 days at a rate of $242.00 per day, but he did not serve any days in a pay status. On 11 July 1984, MG Secord was again approved as a consultant appointee and authorized 90 days at a rate of $242.00 per day, but he did not serve any days in a pay status. MG

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under provisions of E.O. 12356
by K. Johnson, National Security Council

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TOP SECRET [redacted]

D 84

Secord's appointment was terminated on 10 July 1985. On 5 August 1985 MG Secord was appointed as a consultant without compensation for up to ten days. This appointment was terminated on 4 August 1986, and the Department has no record of his having been on a duty status on this appointment, with the following exception. On 5 August 1985, MG Secord was appointed as a consultant, without compensation, to the Special Operations Policy Advisory Group (SOPAG). His term on the SOPAG expired effective 4 August 1986. During this one-year term, MG Secord participated in one meeting of the SOPAG, on 15 November 1985. He has not participated since, and this is the last consulting activity in which he participated, according to Department records. Pertinent documentation is enclosed at TAB B.

5. Was General Secord dropped from one of our committees for failing to execute a financial statement?

A: (U) MG Secord served on the Special Operations Policy Advisory Group (SOPAG) from January 1984 to August 1986, although he last participated in November 1985. MG Secord's membership on the SOPAG was terminated, effective 4 August 1986, based upon his failure to provide the Department with financial information (as required in form SF 1555). Amplifying information is enclosed at TAB C.

6. Have any FMS or other arms sales by the Department been made to any "agents or middlemen" as opposed directly to a recipient country?

A: (U) No FMS or other arms sales to foreign countries have been made by the Department through a private agent

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TOP SECRET [redacted]

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RICHARD V. SECORD CONSULTANT HISTORY OSD - POLICY

D 101

Date of Appointment	Office	Days Approved	Salary per Day
Initial Appt --07-11-83	ISA/IO/NESA	130	$242.00
Renewal eff -- 07-11-84	ISA/IO/NESA	90	$242.00
Termination eff --07-10-85	ISA/IO/NESA		
Appt to SOPAG* eff --8-5-85	ISA/SP	10	WOC
Appointment expired 8-4-86 -- Request to renew app fwded to Personnel 9-11-86			
Termination 52 fwded to Personnel 10-23-86 w/requested eff date of 8-5-86, based on Secords refusal to provide SF 1555			

*Special Operations Policy Advisory Group

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19 November [1985]

NODIS Ex. #1 5/29/87 mas

19 NOVEMBER

324/42

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8:30
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10:30 SOL Initiative (3249)
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12:30 Lunch at Desk
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NCK. Rolling, ASD/...

[1986]

Tues

January 7

UNCLASSIFIED

Edition 6/...7369

7:30 Leave for Andrews AFB

8:15 Depart Washington

8:30

9 Post Meeting

9:30

10

10:30

11 NSC M.T. re CT: NATO Proposals

11:30

12

12:30

12:45 To Remain w/ Richard Perle (OSD/P...

1

1:30 Leave Talbott

2 - Thank Secretary (...

2:05 Depart Pentagon (...

2:20 Arrive Geneva

2:30

2:45 Villa Rigot

3 Tripartite - Shultz, Gromyko

3:30 Tripartite - Shultz, Gromyko

4

4:30 Reid

5

5:15 Depart for Soviet Mission

5:30 [redacted] Mtg. chaired by Nitze re Rm. 370, OEOB

6

6:30 Depart Soviet Mission

7

7:30

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NSC - Meeting

Wed
8 January

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UNCLASSIFIED

January 9

8/357

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UNCLASSIFIED

Fri
10 January UNCLASSIFIED

10/3

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10½ To [illegible] Pentagon

11

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1:30 UNCLASSIFIED

2:30 Tim Davidson
2½ Glenn Rudd

3

3:10 to Hdqs re CIW Conf.
w/ Tim Davidson

3:30
3½ [illegible]

4

4:30

4½ Dep Chiefs
Mr Millikin
721-0604

5 Dick Helms
1105 16th St NW (Apt. 41)

5:30

6 Dep Chiefs

6:30

7½ Dep for
8:00 [illegible]
Key Bridge Marriott

7:30

Tues

14 January

14/352

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Fri
24 January

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24/34

8 [redacted]

8:30 [illegible]

9 [illegible]

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10:30 [illegible]

11 [illegible]

11:30

12

12:30

UNCLASSIFIED

1 [illegible]

1:30 [redacted] [illegible]

2

2:30

3 [illegible]

3:30 [illegible]

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5 [illegible]

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6 [illegible]

6:30 [illegible]

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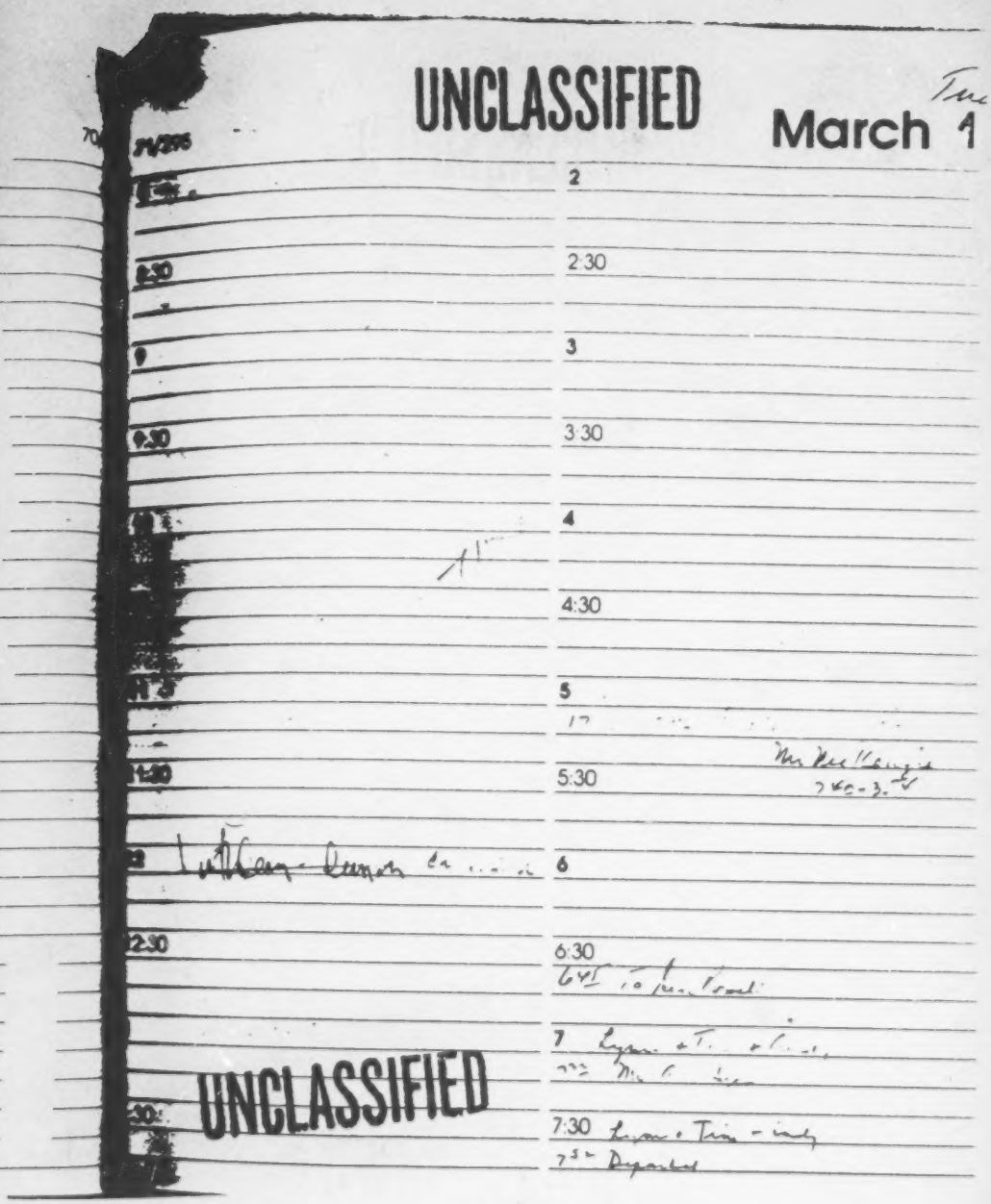
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5 May 86 DL-DX

Koch Ex #2
5/29/87 mac

THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301-2400

INTERNATIONAL SECURITY AFFAIRS

UNCLASSIFIED

5 May 1986

Honorable Caspar W. Weinberger
The Secretary of Defense
Washington, DC

Dear Mr. Secretary,

I request that you accept my resignation as Principal Deputy Assistant Secretary of Defense for International Security Affairs effective 31 May 1986.

I leave with a good heart, inspired by your own example of tenacity in the service of those objectives and values to which you are committed. I am gratified to have been able to serve in the Department of Defense under your leadership, and most thankful for the support you provided to the efforts in which I was engaged.

It has been a special privilege to serve, however remotely, a grand and gifted President in a time in our history exalted by his own skills and character. He may yet redeem the 20th Century.

If I can render any service to the Department or to yourself at any time, I shall be honored to be asked, and quick to respond.

Thank you, and God bless you and all your efforts.

Respectfully yours,

Noel C. Koch
Principal Deputy Assistant Secretary
International Security Affairs

1/25/88

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THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D C. 20301-2400

INTERNATIONAL
SECURITY AFFAIRS

UNCLASSIFIED

7 May 1986

Honorable Caspar W. Weinberger
The Secretary of Defense
Washington, DC

Dear Mr. Secretary,

I have thought carefully on your request that I withdraw my resignation. It is always agreeable to be needed, or at least told that one is needed.

It is important to understand that my decision to resign much preceded the recission of the 3 October 1983 memo. To the extent that internal events were determinant, it was far more the management of the SOF lift issue, and the report to Congress, than any other single factor that convinced me I should proceed with plans to leave. I have no great difficulty supporting a decision with which I disagree, but I do have trouble supporting one that I can't even understand, which is arguably no decision at all and which, in any case, is indefensible in light of the Department's own priorities--economy not least. In addition, to put it plainly, I don't believe the matter was managed honestly, in good faith. It stinks of duplicity. Now it's finished--or my part in it is, and I intend to be silent on it.

There is the matter of my replacement, and I have to say the following on this point. The Special Planning operation was jury-rigged from the outset and, among other problems, plagued with manpower shortages. Half my small staff are borrowed from the Services and other agencies. There are nine people in all, with one secretary, crammed into a miniscule space. These few people do what OJCS does with 60 plus people, what our State counterpart--the Office for Combatting Terrorism--does with nearly 40 people. In spite of repeated efforts, I am ashamed to say I have not succeeded in correcting this situation. In spite of all this, these people have done exemplary work, unrewarded. Even now, I would not advise a large increase in the staff, but there should be adequate secretarial assistance and suitable space. I have not the slightest doubt that we break every record in the Department for insufficiency in both areas. All of this, compounded by the need to keep terrorism issues compartmented even within Special Planning, has made it impossible to bring up a replacement for myself. This deficiency has also been pointed out to me, and complicates my efforts to leave.

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by K Johnson, National Security Council

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Along with yourself, both Dr. Iklé and Rich Armitage have urged me to reconsider my decision to resign. There are personal reasons for me to proceed. I want to spend time with my children and my wife, and I would like to try to provide for them a little better than I can now. To do this, and still to meet my obligation to my duties in the Department, I propose to continue as a full-time consultant beyond 31 May 1986, and Rich Armitage is in accord with this approach. I believe this will assure an orderly transition, and I hope it will be acceptable to you.

Respectfully yours,

Noel C. Koch
Principal Deputy Assistant Secretary
International Security Affairs

UNCLASSIFIED

NO DATE (Year

Kocir E. #3
5/22/57 mw

Thurs
2 January

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STENOGRAPHIC MINUTES
Unrevised and Unedited
Not for Quotation or
Duplication

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corrected

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Committee Hearings

of the

U.S. HOUSE OF REPRESENTATIVES

4118

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under provisions of E.O. 12356
by D. Sirko, National Security Council

OFFICE OF THE CLERK
Office of Official Reporters

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COPY NO. 2 OF 5 COPIES

RPTS MCGINN
DCMN DANIELS

DEPOSITION OF DAN M. KUYKENDALL

Wednesday, August 12, 1987

U.S. House of Representatives,
Select Committee to Investigate Covert
Arms Transactions with Iran,
Washington, D.C.

. The committee met, pursuant to call, at 9:00 a.m., in Room 2203, Rayburn House Office Building, with Spencer Oliver presiding.

. Present: R. Spencer Oliver, Chief Staff Counsel to the Foreign Affairs Committee; Thomas Fryman, Staff Counsel; and Kenneth Buck, Assistant Minority Counsel.

Also present: William Coston, on behalf of the witness.

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MR. MALLON: I am Charlie Mallon from the Sergeant at Arms' Office. I am a notary and I am going to swear you in.

[Witness sworn.]

BY MR. OLIVER:

Q Mr. Kuykendall, we are going to try to make this as brief as we can, although our experience is that these things have run on much longer than we anticipated. But if we could start, sir, I wonder if you cold give us a little background about yourself for the record, education and so on, your activities leading up to your election to Congress, and so forth.

A I was raised on a ranch in CheroKee, Texas. I graduated from Texas A&M after military service. My college education was interrupted by military service. I was a B-29 pilot in World War II and came back to college and finished a year and a half and graduated in 1947; went to work for the Procter & Gamble Company immediately.

I was with the Procter & Gamble Company in Houston, Dallas, Corpus Christi, Louisville, and Memphis.

I arrived in Memphis in late 1955, so effectively I began work there in early 1956, as Regional Manager for the Midsouth States in the Food Products Division, where I stayed until 1965, where I resigned.

I became active in politics as a volunteer in 1960

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under provisions of E.O. 12356
by D. Sirko, National Security Council

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and ended up being a candidate for office in 1964. I was defeated.

. I went in the insurance business for a short time and was elected to Congress in 1966.

. I stayed in Congress four terms representing the city district of Memphis, Tennessee. I was defeated in 1974. I opened my own business, at that time called D.K. Consultants. We still have the same business. The name was changed about four years ago to the Kuykendall Company.

. Neither my wife nor my partner ever liked D.K. Consultants, so we changed it in about 1981, I believe.

. I am not certain what that date was. We have represented a cross section of primarily privately-owned businesses. I did represent one trade association at one time, Furniture Manufacturing Association because of my connection with the Broyhill family in Congress. But I did that only for about two years. I have had a privately-owned consulting firm involved primarily with privately-owned businesses or closely-held corporations.

. Q You mentioned that you had a partner. Who is your partner?

. A Elizabeth Powell who was my executive assistant on the Hill and has been with me for actually 20-1/2 years. She is still my partner.

. Q What committees did you serve on?

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A I served on Interstate and Foreign Commerce and I was ranking on Aviation and Transportation when all of that was over in Commerce. Remember that was split up about 1974, but it all used to be over in Commerce, all transportation which I was ranking on that subcommittee.

Q How many employees does your company have?

A Two besides myself.

Q That is Elizabeth Powell and another?

A Richard Marino. He has just left us. We will be getting another legislative assistant before long.

Q Does your company have a PAC?

A No. I have administered two different PACs through the years, but we do not have a PAC.

Q Are those PACs connected? Are you still the administrator of those PACs?

A No. Neither of them exists.

Q Did they exist in 1986?

A Yes.

Q What PACs were those?

A The Broyhill Furniture Company's PAC and there was a PAC that was in existence for only a year called Venture PAC, which was an offshoot of the same PAC. It was connected with the Broyhill Furniture Company only.

Q Now, in addition to the KuyKendall Company, are you an officer or director of any other companies that are

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related to the work that you do? I think in particular Gulf and Caribbean Foundation.

. A I thought you were going on a different path here. I was manager, I was never an officer of Gulf and Caribbean, but I did manage their affairs on the Washington level.

. Q Who were the officers of the Gulf and Caribbean Foundation?

. A The President was William Blakemore, from Mid-Atlantic, Texas; and General Counsel and Treasurer is David Witts from Dallas, Texas.

. Q Are there any other members of the board of that or officers of the Gulf and Caribbean Foundation?

. A No. They were the active members of the board and the directors also. Elizabeth Powell was Assistant Treasurer, so she could also write the routine checks.

. Q When was the Gulf and Caribbean Foundation formed?

. A I will have to tell you within a month or so because it was founded clear back in 1983 in approximately June, I would say, of 1983.

. Q The purpose for the founding of the Gulf and Caribbean Foundation was?

. A To begin somehow to get a flow of unbiased information from Central America to both the media and to the Congress and the technique that was decided upon was the use of independent scholars and people of impeccable

UNCLASSIFIED

credentials that would be accepted by the media and by the Congress as having information that didn't have a label on it from Central America and other areas.

. Q What gave you that impulse to set up this foundation?

. A One of my clients and several of my friends clear back to college days, some of my friends, have properties within the immediate proximity of the Rio Grande River and remember, this was the Salvador days. This did not have anything to do with Nicaragua at all at that time. And this flow of immigrants had begun to really start hitting that border and they had begun to get worried about it and wondered if a group of independent citizens could do something to have an intelligent approach to the situation in Central America. And we sought out ways to do this.

. The thing that seemed to be lacking most was a flow of non-tainted information Every so-called expert was either pro-Reagan or anti-Reagan, Democrat or Republican, anti-Church or pro-Church, conservative or liberal.

. Everything we looked at was slanted one way or the other and the whole idea was to get scholars that simply were not part--that were of such prestige that you knew that they couldn't be bought with a retainer or something like that.

. Q You set this up as a 501(c)(3) foundation?

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. A That is correct. Absolutely.

. Q When did you get your 501(c)(3) tax exemption?

. A I think we got it somewhere along about September, October of 1983.

. Q And how was the Gulf and Caribbean Foundation funded at the outset?

. A By contributions from about, I would say, a maximum of about 30, 35 people.

. Q And what was the general order of magnitude of the contributions?

. A The entire amount of money spent during the entire life of Gulf and Caribbean Foundation was only $225,000.

. Q Is it still in existence?

. A It is still in existence. It is not functioning now, but it is still in existence.

. Q How would you break down that $225,000, say, in 1984--1983, 1984, 1985, 1986?

. A 1983, 1984, my recollection is a large majority of the money was spent in 1983, 1984, at least 60 percent of it on some official projects that we administered all the way through. 1985, 1986, the expenditures were quite small.

. Q Was your association with this foundation your first real interest and involvement in Central America?

. A Oh, yes. I never have been involved in a committee or anything on this subject here on the Hill.

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Q This came through your friends in Texas?

A Absolutely.

Q You were concerned about the refugee problem?

A Well, the whole impact of the--well, one of the things that I remember specifically, Mr. Oliver, during some elections that took place in Mexico in either 1982 or early 1983, there was a very prominent communist influence and you could go across the river at Matamoros or some place and find the communist signs on the telephone poles and it distressed a lot of people.

That was one of the things that caused them to get worried and then the walking of those refugees ~~that would be walking~~ across the countryside.

You could be out deer hunting on one of the ranches and see them walking across the countryside going north. So it worried a lot of good people down there.

Q In an interview earlier with some of my colleagues, you indicated that you called Lyn Nofziger for his advice about what to do about this problem?

A Well, I called Lyn Nofziger to ask him to find out from Judge Clark, who was then head of the NSC, if there was anything--this was the request I got from two or three people in Texas--is there anything a voluntary group can do to help.

Remember now, that was a specific thing, the question I asked. I called Lyn. I said, "Do you have a

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way to get to Bill Clark and ask him this simple question: 'What can a volunteer group do to help?'''

. He said, ''I am having dinner with him tonight. I will come back to you.''

. And Clark said, ''If you can figure out any way to get information that is not tainted back from down there, it will be the greatest service you can do to your country,'' and that was where that came from.

. Q What did information that was not tainted have to do with the refugee flow problem?

. A Well, the people were going a whole lot deeper into the root cause. Remember, these refugees ~~were~~ As the beginning ~~to be~~ NOW Salvadorans. They weren't just Mexican workers. They were beginning to be Salvadorans coming across down there and they wanted to know the root cause of it, the root cause of why this group STARTED coming, you know, ~~there is~~ people coming across ~~the border~~ the Rio Grande River to work in Texas is not new to Texas.

. It is who the new people were and ~~who they were~~ and where they were coming from.

. You will remember the early days of the Salvadoran crisis. This is when it was. There had been no elections down there yet.

. Q So this is when Lyn Nofziger suggested if you could get some factual, unbiased information?

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. A No. That was Judge Clark's suggestion. Lyn Nofziger was only an intermediary.

. Q And that was what caused you to set up the Gulf and Caribbean Foundation?

. A That was the thing that caused us to have the challenge to set it up. The idea of using the scholar approach--two informal meetings took place before that was arrived at, is the only way we knew of and could work with.

. We had a meeting at the University of Texas LBJ Library to discuss this.

. Dr. Figuerd was our host to discuss how you could do something like this and still stay absolutely intellectually and scholastically pure in that sense.

. This was the final decision to set this up was made at the LBJ Library in about May or June of 1983 and then the actual organizational meeting took place at Trinity University about six weeks later, something like that.

. Q So you began to involve scholars in this?

. A We recruited a group of scholars in the late summer and early fall of 1983. I remember we had Dr. John Silber. We had him as top of our list and Henry Kissinger beat us to him.

. This is when the Kissinger Commission was created. So we ended up with two other scholars from Boston University, Dr. Joachim Maitre and Dr. Peter Berger.

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. It is very interesting that Speaker O'Neill used Dr. Maitre also as a briefing scholar for his people; as a result of the same trips.

. Q You sent Peter Berger?

. A Berger did not go to Central America. He did a study for us and it was published in the ~~American~~ CARIBBEAN Review. Maitre went to Central America at least five times in 1983, 1984 clear into 1985.

. Q Did you send anyone else?

. A Dr. Elie Weisel went with Maitre one time. That is when he discovered the ~~flight~~ PLIGHT of the Miskito Indians. He was on a trip in a dug-out canoe when he discovered that, ~~on that trip~~ SITUATION.

. Q Did you go with them on this trip?

. A No. I have never been to Central America.

. Q When he returned from these trips, Dr. Maitre to Central America, did he write reports, write articles?

. A The first trip Dr. Maitre, Dr. Max Singer went down and they, in conjunction with some other people, wrote a book called "The Democratic Revolution in Central America." This was the first time that our side, Mr. Oliver, were ever called the democratic revolution.

. I think all the committees have copies of that book that was published in 1984.

. Q I am sure we do.

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. A ''The Future of the Democratic Revolution in Central America,'' I think, is the ~~exact~~ name. I am not sure what the exact name is, but the use of the term ''democratic revolution'' came out of the use of that book that was published and distributed.

. In fact, copies of it went all over the world.

. Q You also employed the services of Michael Ledeen?

. A He was the person who actually edited the book itself. He never took a trip for us. He edited and got the book published. He is a very talented author and he was the one that debriefed our scholars and wrote the book.

. Q In what capacity did he debrief them? How did he come into this?

. A I don't know. I was not there.

. Q Well, was it your understanding he was a Central American expert?

. A No. It was our understanding that he was a very fine scholar. I had never met him before he was actually--

. Q So it was Dr. Maitre or Dr. Singer or Elie Weisel or someone else who made this contact?

. A I don't remember. My recollection is maybe it was somebody at Georgetown University that did it for us. I don't remember who made the initial contact with Michael Ledeen.

. Q You paid him to edit?

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297 . A We paid him to actually write the book and then he
298 also, because of some contacts, arranged for a publisher.
299 . Q Other than those people, did you involve any other
300 scholars or any others in trips or study tours of any kind
301 to Central America?
302 . A Well, we continued to employ Dr. Maitre. I say
303 "employ." In many cases, the only thing we covered were
304 simply his expenses. In some cases, we didn't even do that
305 because he was working with someone else and he would simply
306 come back by and report to us.
307 . He became active in the production of op-ed pieces and
308 also as an adviser to several congressional committees that
309 he talked to--not testified, he would simply go and visit
310 with them on both sides of the aisle.
311 He became a close friend of Congressman Murtha, Maitre
312 is, (Murtha) he used him as an adviser.
313 . When we began to get into the Nicaraguan thing,
314 which didn't take place really until late 1984, people began
315 to come into the country from other parts of the world and
316 our treatment of the scholar approach and the fact that when
317 we took someone to Capitol Hill, number one, the Member knew
318 that I was going to introduce them and lease. They could
319 talk to them as they saw fit and the Member knew there would
320 be no publicity. So--
321 . Q Why did you do that?

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A So that the Member of Congress would have a chance to talk to a person from another country who was--I had generally screened to see if they had an ax to grind that I thought would not be interesting to a Member of Congress and a Member of Congress likes to feel that he can talk to someone and not have a reporter sitting out the door with a microphone in his face that says, ''Did he talk you into changing your position?'' You know how important that is.

Q Yes.

Did you decide which Congressmen to call upon or to have these people--

A Yes. Sometimes I would get requests.

Q Did the Gulf and Caribbean Foundation fund the travel of the people who came up from Central America?

A We had many different variations of that. We did everything from pay part of a plane ticket for a person that was described to me. In some cases, all we would do would be to escort a person who was already in the country.

We did quite a bit of that. Simply sitting down and talking to the person ahead of time and seeing if the picture that was attempting to be filled out over on the Hill here, if they added anything to it.

Q These were primarily refugees? I am talking about Nicaragua now.

A One way or the other, yes.

. Q But they might be people living in exile in Costa Rica?

. A We had a Salvadoran guerrilla defector that proved to be an excellent asset to several Members of Congress in finding out relative costs of an insurgency.

. Q When you didn't pay all of their expenses, who paid the rest of them? Did you share them with other organizations or individuals?

. A No. There were many, many organizations around town that knew these people were coming to town and there was kind of a clearinghouse group that met over at the American Security Council every Tuesday morning. I was there about every other week.

. The American Security Council had kind of a think-tank group and this seemed to be kind of a clearinghouse of people that were in town that might be of interest.

. Q When did you start to attend these meetings of this ~~clearance house~~ clearinghouse?

. A Oh, 1985, thereabouts.

. Q Who else sat in on this clearinghouse?

. A Twenty people.

. Q Do you remember who some of them were?

. A Virtually none of them were Hill activists. These were think-tank people, various and sundry think-tanks around ~~the~~ town. There would be members of congressional staff

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Who would show up occasionally. But these were mostly people that were involved in think-tank organizations. There were very few activists in this field.

. Q Do you remember which think-tanks?

. A I really can't at this stage of the game. It's been a while. They floated around on different ones. I really don't.

. Q Is this the group you told my colleagues earlier you were sort of the chairman of this informal group?

. A No, no, no.

. Q This is a different group?

. A The only thing I ever did with this group was give them a Hill briefing if they asked me for it as to what the status of the legislation was.

. Q The American Security Council?

. A Yes. The whole group, if they wanted to know what the status of legislation was, they would call on me.

. Q Well, let me see if I can refresh your memory a little bit about who might have been involved in this. The American Security Council is chaired by whom?

. A John Fisher.

. Q Did he host these meetings?

. A No.

. Q Who hosted them?

. A Colonel Sam Deacons.

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Q Colonel Sam Deacons?

A Who is a full-time employee, a retired Army colonel, West Point-type.

Q And were there people from the Heritage Foundation there?

A Sometimes.

Q From CSIC, Georgetown Center for Strategic and International Studies?

A Not regularly. Occasionally and that person would usually be a guest of somebody's.

Q The American Enterprise Institute?

A I never saw anybody there from there.

Q Brookings?

A No.

Q PRODEMCA?

A Yes.

Q Who would be there from PRODEMCA?

A Oh, several different people. I don't remember anyone that was particularly regular there.

Q What about the National Strategy Information Center?

A That doesn't ring a bell.

Q But it would be about 20 people and it would be a shifting cast of characters?

A Yes.

Q This began in early 1985?

A No. I don't know when the group began. I do not know when the group began. I know when I began to attend it fairly regularly.

Q Were there people from the Citizens for America there?

A Yes.

Q Jack Abramoff?

A Yes.

Q Was he there on a regular basis?

A They were kind of latecomers. Yes. He was there fairly regularly.

Q Peter Flaherty?

A Sometimes.

Q He was with the Citizens for America?

A No. Peter Flaherty was Citizens for Reagan.

Q Citizens for Reagan.

Penn Kemble?

A He is PRODEMCA. He was seldom there.

Q Denise O'Leary?

A The PRODEMCA group were not regular. I have probably seen all these people there at one time or another. I couldn't tell you with any certainty when they were there. They were not regular.

Q Jim Denton?

A Earlier, yes.

Q He was with what organization?

A I can't think. If you mentioned a name, I might remember it, but I can't remember.

Q Glenn Bouchez.

A Yes.

Q And what group did he represent?

A I never did know the name of his group.

Q This group would meet on Tuesday morning and discuss what was going on in Nicaragua?

A Oh, no. All over the world. We had people there from all over the world from Afghanistan to Mozambique. This was a broad-guaged group. they were literally people from every hot spot in the world.

Q Sort of freedom fighter-type people you are talking about?

A This was a late thing, the presence of the actual freedom fighter people. This was more of a strategic group to discuss an overall situation. We have had ambassadors from the countries to here and back and forth to come to that meeting. This was a strategic group, very, very little knowledge of or relationship to Capitol Hill.

Q Did Oliver North ever attend any of those meetings?

A I was never there when he attended one of them.

Q To your knowledge, did he ever attend any of them?

. A Not to my knowledge. To my knowledge, no. But I in no way want to say he didn't.

. Q I can only ask you about your knowledge.

. A But to my knowledge, no.

. Q Did anyone from the White House attend any of those meetings to your knowledge?

. A I recall that the Office of Public Liaison had people there from time to time. I don't even remember who it was, but I think that office from time to time had people there.

. Q Do you remember whether or not Linda Chavez ever attended?

. A Not when I was there.

. Q Bob Riley?

. A I think so.

. Q Manes Cojalis?

. A No, not when I was there. I never met him but once and I didn't meet him there.

. Q Anyone from the State Department?

. A As a guest a couple of times, we had State Department people.

. Q Do you remember who they were?

. A No. I never did know.

. Q Otto Reich?

. A Yes. Otto Reich had been there.

Q Jonathan Miller?

A Not that I know. I have never met Jonathan Miller. He could have been there. I wouldn't have known him.

Q You have never met Jonathan Miller?

A No. Not that I knew who I was meeting.

Q Did Elliot Abrams ever attend any of those meetings?

A Not in my presence.

Q Were you ever told that he attended any of those meetings?

A Yes.

Q Who told you that he attended?

A Just a meeting that I missed and I think he was there. I was told that he had been a guest at the meeting when I was not there.

Q Do you remember who told you?

A No.

Q Were you ever told Oliver North had attended a meeting?

A No.

Q This group you said began to met in late 1984, early 1985?

A I don't know. I only know when I began to meet with them.

Q Was in?

. A Late 1984, early 1985.

. Q And you said you sort of gave them advice on legislative--what was going on on the Hill?

. A Status.

. Q You told them what you thought about what the situation was?

. A Right.

. Q Did they ever act on any of your status reports, to your knowledge?

. A I am sure they did.

. Q I don't want to range too far afield, but originally you indicated some of the people who met with various Congressmen came to your attention through your meetings with this group.

. A Yes.

. Q That you would find out these people were in town.

. A Right.

. Q And these people would be refugees or exiles or even in some cases, I assume, people who were still in Nicaragua, but were out of the country at that time?

. A In some cases, yes.

. Q And your organization, the Gulf and Caribbean Foundation, had paid some of the expenses for some of the people who came to town and met with various Congressmen.

. A Occasionally. This was a very, very small thing.

Q Did any of the other organizations or individuals who were at the American Security Council share the expenses with the Gulf and Caribbean Foundation for the travels of any of these individuals?

A Not on a known basis.

Q You mean not to your knowledge?

A Not to my knowledge.

Q Did you discuss at those meetings when someone was in town--let's take, for example, the El Salvador guerrilla defector. When this gentleman was in town, did someone there at the meeting say this man will be in town and he has a real story to tell and those of you who may wish--how did it work?

A That particular person did not come to me through that meeting. That particular person did not come to me through that meeting.

Q How did he come to you?

A Frank Gomez of IBC knew of the man. Frank Gomez is bilingual, of course, and could discuss it with him and the IBC was our PR firm up until mid-1985 and because of his relationship with these people and with the State Department in the past and so forth and being bilingual, Gomez was my primary person that we dealt with with IBC, ~~was Frank Gomez~~ during virtually the entire period after the formation of the organization and when Frank Gomez left the State Department and came with IBC, we dealt almost entirely with

him.

. Q How did you come to know Frank Gomez?

. A I didn't. We had retained IBC in the very beginning of the creation of Gulf and Caribbean to do our PR work. We couldn't afford Lyn Nofziger.

. Q In late 1983?

. A No. Early autumn 1983, thereabouts, we retained them. They did our PR work almost entirely as far as straight PR was concerned, never lobbying, never the Hill. They didn't go near the Hill, ~~until mid 1985~~.

. Q How did IBC come to your attention?

. A Through Lyn Nofziger.

. Q Did you ask him at the time you asked him to ask Judge Clark about what a private group could do, is that when he suggested to you IBC?

. A Later than that. I had thought to retain Lyn at first and when he got through going over his rates with me, we couldn't even come close to affording him, so I said "Who is young, going into the business, and is knowledgeable?" and he recommended Richard Miller, who had just created IBC.

. Q Do you remember when that was

. A This would have been in late summer of 1983.

. Q Was Rich Miller working out of Lyn Nofziger's offices at that time?

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. A Would you explain the question a little further?

. Q I asked whether Rich Miller was working out of Lyn Nofziger's offices at that time when you retained him?

. A He was in the same building, but had his own offices.

. Q He wasn't in the suite of offices?

. A Oh, no, sir. ~~No, sir.~~ That is why I asked you to restate the question. It was definitely not in the same offices.

. Q How many employees did IBC have at that time?

. A Very small. I don't remember.

. Q They were just starting out?

. A Yes.

. Q So you hired IBC to do what?

. A To do normal PR work, to arrange for things like trips to Salvador, to arrange press conferences, to do the type things that PR firms do.

. Q So you paid them how much to do that?

. A It is a matter of record. We had them on a retainer for about a year at $2,500 a month to do all of our PR work. During that time, I did not manage any of that. During that time, my ~~sales~~ income/ from Gulf and Caribbean was zero.

. Q But you were the one that arranged meetings on Capitol Hill?

. A Yes. PR did not include Capitol Hill. That was my

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turf totally.

. Q I understand. But what did they do?

. A Op-ed pieces, a great many of them, particularly during 1984. This was a very large number of op-ed pieces. They continued op-ed pieces, Maitre continued clear on into 1986. The meetings with editorial boards, the trips around, speaking tours for the visitors of one kind or another.

. Q This was primarily Rich Miller?

. A No.

. Q In 1983 and 1984?

. A I don't know when Frank came back, but you see, when I began to have any relationship whatsoever with Spanish-speaking people, it became necessary that I have an interpreter. Frank Gomez was the logical person. He is a simultaneous interpreter. So almost my total relationship with IBC for about a year was Frank Gomez.

. Q Do you know when Frank Gomez joined IBC?

. A No, I do not. It has to have been in maybe late 1984 or early 1985. It has to have been late 1984.

. Q But you retained IBC in late 1983.

. A That is right.

. Q So it was about a year later?

. A I am not certain.

. Q Frank Gomez was introduced to you by Rich Miller?

. A Oh, certainly.

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. Q So it was whenever Rich Miller and Frank Gomez got together is when you were introduced to Gomez, when Gomez became part of IBC?

. A Yes.

. Q Were you aware that IBC was about to obtain a State Department consulting contract?

. A No, I was not.

. Q Did you ever know that they obtained a State Department contract?

. A Yes.

. Q When did you learn that?

. A I don't remember. Shortly after they obtained it, whenever it was.

. Q That would have been late 1984?

. A I don't know.

. Q Did you ever discuss their State Department relationship with Miller or Gomez?

. A No.

. Q Did you know that the State Department contract that they had called for them to do many of the same things that they were doing for you?

. A No. I did not know that.

. Q So you were not aware of what they were doing for the State Department?

. A No.

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Q When did you first meet Oliver North?

A In approximately--it must have been May or June of 1985.

Q Do you know what was the occasion?

A Oh, yes.

Q What was the occasion?

A Dr. Maitre, on a trip to Salvador, had come back ~~to~~ and visited with me when he pointed out that at that time there was a freak part of the law of selling materials to another country that caused the American Defense Department to have to grossly overcharge the Salvadorans for things like helicopters.

And he said, ''I have been led to understand that there is some freak clause in the law that makes it necessary that our Pentagon charge these people those exorbitant prices,'' and he happened to have the price on a world market of a Huey helicopter and it was about 2-1/2 times what they were charging them.

When he came to see me and told me about it ~~and~~ it sounded almost UNBELIEVABLE ~~like you can't believe that~~. It sounds bad. ~~So~~ The President of Gulf and Caribbean happened to be in town at that time. He and I went to see Congressman Duncan Hunter. Duncan Hunter said, ''This is too ridiculous to be true. I can't believe it.''

~~And~~ He picked up the phone at his desk and called Bill

Casey and said, "[illegible]?"

. Q Duncan Hunter picked up the phone and got Bill Casey on the phone just like that?

. A Just like that and said, "Is this true?" He said, "I don't know. I have heard a rumor that it was. There is a fellow over at the American National Security Council named Ollie North. You should call him and he will know."

. And I immediately turned to Duncan Hunter and said, "Who is this guy?" And he said, "Well, he is a real comer over at the National Security Council. So a couple hours later, the President of Gulf and Caribbean, Blakemore and I, went to see Ollie North and he immediately confirmed ~~and knew~~ the letter of the law and said, ~~in fact~~, if you wanted to have a little further information on the effect of this on the situation in Salvador, General Gorman is going to be in town, I think, the next day or whenever.

. So we visited with General Gorman. He confirmed it. I don't remember the exact time span, but I know that Congressman Stratton and Congresswoman Holt introduced an amendment and got it fixed very shortly after that.

. So that is the episode. That is what ~~had~~ happened ~~that~~ is one thing we are very proud of at Gulf and Caribbean that we were able to bring this thing to a conclusion almost immediately. It was very important.

. Q So that was in the summer of 1984?
. A That was in the summer of 1984.
. MR. COSTON: Wait a second; 1985, I thought.
. THE WITNESS: 1985. I am sorry. I am sorry.
. Thank you, Counsel. 1985.
. MR. OLIVER: Well, I had the notes--
. MR. COSTON: His testimony earlier was May or June of 1985.
. THE WITNESS: It is 1985.
. MR. OLIVER: I had in a memorandum done by someone who had interviewed you earlier the spring of 1984.
. THE WITNESS: No. It was 1985. It is 1985.
. BY MR. OLIVER:
. Q Let me--you think it was in the summer or the spring of 1985?
. A I am--
. Q That was the first time you met Oliver North?
. A Yes. Wait a minute. Just a minute. Just a minute. It was 1984. It was 1984.
. Q And after you--
. A Because it was still Salvador. It was still Salvador. It wasn't Nicaragua. It was still Salvador. It had to be 1984. It was El Salvador.
. Q After your meeting with North and the passage of this legislation, did you work with North during this period

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of passage of this legislation?

. A Oh, no.

. Q You saw him one time?

. A Actually, somebody in the Executive Branch notified the Armed Services Committee. We had nothing to do with lobbying that passage. They took it and handled it immediately. We didn't have to inform them. It was done.

. Q No. I was asking you what North's involvement was.

. A I don't know.

. Q So after this meeting that you had with North in the spring or summer of 1984, when was the next time that you had any contact with him? Do you remember or can you approximate?

. A I think there was probably one instance maybe in late 1984 that I may have had lunch with him--Mr. Blakemore and I had lunch with him, I believe, sometime in that period.

. Q What was the purpose of that lunch?

. A Just friendship.

. Q It wasn't any discussion of Nicaragua?

. A No, not at that time.

. Q When did you see him again, to your knowledge, after that luncheon in late 1984?

. A I don't recall. I really don't. The whole issue began to heat put on the possibility of getting the

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humanitarian aid in late 1984. You remember that.

Q Yes.

A And the possibility of achieving this began to heat up in late 1984, began to become a real possibility in early 1985 and then that lasted clear on through the spring and early summer, is when it finally passed [redacted].

RPTS MCGINN
DCMN PARKER

. Q You became involved in early 1985 in the efforts to achieve that goal of humanitarian aid?

. A That is correct. That is correct.

. Q Were you paid to do that?

. A No, I was not.

. Q It was just a voluntary thing?

. A Yes. It was totally voluntary on my part. I happened to have good enough clients. I could afford to volunteer and my efforts on this effort clear through that whole episode in 1985 was voluntary. I was registered to lobby for my own company. I was registered to lobby for the Kuykendall Company or D.A. Consultants.

. Q Were you involved in the Nicaraguan Refugee Fund dinner which took place in April of 1985?

. A No.

. Q Were you asked to be involved in it?

. A Yes.

. Q Who asked you to become involved?

. A Edie Fraser.

. Q Did you turn her down?

. A No. I faded away.

. Q In other words, you went to some of the meetings--

. A I did not go to any of the meetings.

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. Q Why did you fade away?

. A I wasn't interested.

. Q Why were you not interested? You were interested in the subject. You had been involved in it.

. A This was not our thing. Fund/raising and this type of thing we were simply not involved in. We never were involved in fund/raising. We did not get involved in fund/raising.

. Q So you were asked by Edie Fraser and you just sort of stopped returning phone calls or told her you were not interested or didn't do it?

. A I just didn't do it.

. Q Did any of the people that were involved with you such as Rich Miller, who is retained as your R.P. firm, were they involved in the Nicaraguan dinner?

. A I do not know that they were.

. Q If ~~they~~ were, you don't know?

. A If they were, I don't know it.

. Q So you were completely separate from that in terms of your activities?

. A Absolutely.

. Q And your activities related to humanitarian aid?

. A That legislation at that time was the total lobbying goal of the lobbying part of my business.

. Q Do you remember how you got involved in the

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lobbying business in 1985 on behalf of humanitarian aid?

. A Yes. A group of the people that met at the American Security Council asked me to take kind of the informal chairmanship of the group ~~of people~~ that those names, most of the ones you read to me; ~~and~~ it was a loose coalition. My history of Capitol Hill work, going clear back to 1980 and even before, was involved very much in creating coalition, coalition founding. This has always been my thing, working with coalitions and coordinating coalitions.

. There is such a limited number of active lobbying organizations even involved in this issue on ~~that~~ side that they met at least three times a month to compare notes.

. Q And this is what you told my colleagues earlier in an interview, that you sort of became chairman of this informal coalition?

. A Right. They asked me in the beginning to be the informal chairman of it.

. Q Who asked you?

. A The group did. They had obviously had phone calls or something because they decided to ask me.

. Q And when did they ask you?

. A I would say this was in early 1985.

. Q In January?

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. A I don't know. There abouts.

. Q Shortly after they asked you, did you all have a meeting with Oliver North?

. A He attended one of our meetings, yes.

. Q Where did that meeting take place?

. A In my own town house.

. Q Was that a luncheon?

. A I doubt it. I don't recall the group ever having lunch in my town house as far as a working session.

. Q How many people were at the meeting at your town house?

. A There were usually around six or seven. This was about the usual group.

. Q Do you remember who was there at that first meeting with Oliver North?

. A Oh, no, I wouldn't remember, but I think you can assume the whole group would have been there.

. Q Was Sam Dickens there?

. A He was a member of the group.

. Q Jim Danton?

. A Yes.

. Q ~~Tom Boucher~~ Lynn Bouchey?

. A Yes.

. Q Frank Gomez?

. A Probably. I don't know.

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. Q Rich Miller?

. A No.

. Q Why would Frank Gomez be there and Rich Miller not be there?

. A It is just that during this period we did most of our work with Frank Gomez.

. Q What did you discuss at that meeting?

. A Usually the status of the individual vote count. This was always a subject of all discussions as to who is on the undecided list, where are they, what is the status of the people on the undecided list and so forth.

. Q According to Colonel North's calendar that was a luncheon which took place at your town house on February the 11, 1985. Would that be correct? Does that refresh your memory?

. A That would not have been the same group. I just don't remember this group ever having lunch at my place.

. Q What time of day did the meetings take place?

. A Usually in the early morning or late afternoon.

. Q Do you remember what month or what date that first meeting took place with Oliver North?

. A This meeting with Oliver North was not related to this particular effort at all. This is a luncheon group that I am a member of that we rotate hosting of guest speakers and he was the speaker at the group at the

particular monthly meeting.

. Q At your town house?

. A At my town house. ~~Now~~ the other have board rooms and ~~other stuff like that~~ other meeting facilities all over town, but this was a private luncheon group that we invite guest speakers in and Oliver North was the guest speaker at this particular group.

. Q On February 11?

. A If that is what his calendar says--that is what my calendar would say, I am sure. Has nothing whatsoever to do with a lobby group because this group is not a lobby group.

. Q Now the meeting that you had with Oliver North, to your recollection it would have been early in the morning or late afternoon at your town house sometime in early 1985. Generally, the people who I mentioned a few moments ago would probably have been there or were there to the best of your recollection.

. A Yes.

. Q At that point you discussed vote counts and what the situation was?

. A Any time Ollie North came to a meeting it was for the purpose of his giving us a situation briefing.

. Q On?

. A On his famous slide show if nothing else. Ollie North was never part of a lobbying effort because he simply was not part of our lobbying strategy. I never ~~but~~ Sol. discussed

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vote counts with Ollie North. He never suggested strategy with me on actual lobbying on the hill. But he gave briefings. I have never called Ollie North to attend a meeting for any purpose other than a briefing.

. Q How many times did you see his slide show?

. A Several.

. Q Well, according to what your staff has put together from Ollie North's calendar, you met with him some 28 times at least on his calendar and most of those meetings took place in your town house.

. A No, sir. Absolutely not.

. Q Do you remember how many times Oliver North attended meetings at your town house?

. A He never attended meetings in my town house more than over a period, now, of three years we are talking about, two and a half years.

. Q We are talking about 1985 and 1986.

. A Okay. That period? I don't think there is any way he was in my town house to meetings more than four or five times.

. Q You remember him being there at a lunch on February the 11th?

. A That date I do not remember. He was guest to give his briefing at a luncheon at my town house with a group of my friends that were not connected with this effort at all.

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953 . Q Let me ask you about a meeting which is indicated
954 on his calendar on March the 1st at 4 o'clock. Your town
955 house is [redacted]
956 . A Yes. Probably one of those meetings.
957 . Q You were there?
958 . A I don't have my calendar. I can't say. If he was
959 there, I was there.
960 . Q And Mr. Jack Abramoff would have been there?
961 . A A group would have been there. There is no way I
962 can tell you now exactly which of the group might have been
963 absent that meeting.
964 . Q Let me ask you about the people we think--
965 . A The circle. This group was never--
966 . Q There was a man named Blair there, part of the
967 group?
968 . A The name is not familiar.
969 . Q And Sam Dickens was part of the group.
970 . A Yes.
971 . Q And Jim Denton was part of the group.
972 . A Yes.
973 . Q And Lynn Bouckley was part of the group.
974 . A Yes.
975 . Q And Walt Raymond was part of the group?
976 . A No, sir.
977 . Q Did he ever attend meetings?

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A Not at my town house he didn't. My recollection is Walt Raymond--I can't recall Walt Raymond ever coming to my town house. I have met with Walt Raymond, but I don't recall ever doing it in my town house.

Q What about Otto Reich?

A I can't recall. I cannot remember whether I met Otto Reich in my town house.

Q Jonathan Miller.

A No, sir.

Q You never met Jonathan Miller?

A I told you that before.

Q How many times did this group--how often did this group that met early in the morning and late afternoon get together?

A And/or.

Q And/or late in the afternoon. Was it a weekly, bi-weekly, semi-weekly?

A Well, let's see. We are talking about a three-month period just about.

Q In 1985?

A 1985. I would say we met at one place or another--all meetings are not in the town house.

Q Where else did the meetings take place?

A I remember we met over Jim Denton's place one time. We had several different places. Each of them had their

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own meeting at one time and when we say meetings in my town house, I am really talking about the meetings period. I can't remember which of them was in the town house.

. The group met probably a dozen times during that period, just about once a week.

. Q And you talked about legislative strategy?

. A Yes.

. Q And your goal was to acquire--to get congressional approval for humanitarian aid?

. A Yes, $27 million.

. Q For the contras.

. A Right.

. Q You were successful in that endeavor ultimately.

. A That is right.

. Q When did the vote take place?

. A Remember we had two votes. The first vote was lost by two votes.

. Q In 1985.

. A 1985. That was the vote that Ortega went to Moscow the next day.

. Q Remember that?

. A Everybody remembers that. Then about six or eight weeks later we had the second vote that was fairly heavy pro vote for the $27 million.

. Q That would have been in--

. A In about June 1, thereabouts.

. Q Early June, 1985.

. Q Could you sort of recollect or reconstruct what would happen at these meetings? How long did they last and did you have a check list of votes?

. A Well, the undecided lists were all over town always. Everybody had their own undecided list, that was the business at all, the soft center, it is always the same on any legislative issue, is where the targeting of any legislative activism takes place, and we would discuss the status of the individual people as they would come off of the undecided list, whether they went off of it against us or whether they went off of it for us.

. So the flux of the undecided list was always the first thing to be discussed. Where are the people, where are the votes, how do we put together the 219 votes. And so after that was pretty well-viewed on a week-to-week basis, who has moved, each of these people had their own grass roots organization. Remember we did not have a grass roots organization. We had no organization. I was strictly the coordinator.

. Q Now which people are grass roots organizations? Who were the people?

. A I think all those people did except Sam Dickens. I think all the people that met with us one way or another had

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a membership organization around the country that was fairly large.

. Q You indicated in your earlier interviews of some of our colleagues that some of the people who had participated in that and in addition to ~~Lynn Boucher~~ Lynn Bouchey, Sam Dickens--

. A Sam Dickens had no organization.

. Q Jack Abramoff.

. A Had the Citizens for America, fairly large and very attractive organization.

. Q And Peter Flaherty.

. A Had Citizens for Reagan, fairly large, highly active organization.

. Q And PRODEMCA?

. A PRODEMCA, yes.

. Q Who attended these meetings from PRODEMCA?

. A Penn Kemble or Dennis O'Leary. In those early days it was usually Penn Kemble.

. Q In these meetings when you discussed legislative strategy, did you give assignments to people or did people volunteer?

. A No. People would say I will handle--remember now, these organizations are not Capitol Hill arm twisters. They are basically grass-roots organizations. Several of these people had their own radio programs, their own newspaper ads, their own--I guess some of them, I think--I don't know

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whether there was any TV run in 1985 or not. I can't remember. This was very early. So the targeting of their publicity, of their intensive grass-roots activity would be based on where the need was, certainly.

. They did their own thing. I never got involved at all in the inner activity of any of the organizations. I wouldn't have presumed to give them advice on how to run their show.

. Q But was there sort of a coordinating plan that was--that the group was involved in related to that vote?

. A Well, the plan, of course. The list was the same for everybody in town. Remember, the other side had the same list. Everyone has the same list because you have to assume that there is equal intelligence on all sides of every issue. So everybody in town had the same list and so they were targeting both the pro and con.

. Contra aid people were targeting these same individual areas, because there wasn't any coordination to it. The only coordination was as to NOT waste money on people that are decided. That is about the only coordination there is to it.

. Q Did you discuss this legislative strategy with Oliver North?

. A No, not that I remember. I don't have any recollection of discussing that.

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MR. COSTON: Fine.

[Recess.]

MR. OLIVER: Mr. Kuykendall, I would like to show you a document and have it entered as an exhibit and marked as Exhibit Number 1.

[The document referred to, was marked as Exhibit 1 for identification.]

BY MR. OLIVER:

Q I would like to show you that document and ask you if you have ever seen that document or a similar document before?

A Yes. I have seen this document.

Q Where did you see that document?

A I was laid on my desk by a reporter when it should not have been.

Q And when?

A About six weeks ago.

Q Well, that was the first time you had ever seen that document?

A Yes.

Q I would like to ask you to look at that document and you will see your name in there. The highlighting was done by our staff in preparation for this deposition.

A Yes.

Q It appears from that document that you were

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involved with a number of people in the legislative effort in 1985.

A Right. Now, well, counsel, would you define legislative effort?

Q Well, it was the effort to try to obtain congressional approval for aid for the contras in 1985.

A So you put the broad definition.

Q Yes. I assume it is a broad definition.

A So you have given a broad definition.

Q Well I am just stating it was a legislative effort.

A Okay. The first group, the FDN commanders, were up here to testify before the House Intelligence Committee. The people that were testifying, only Bermudez could speak English at all. Tigrillo, Lima and there was another one, could speak no English. They were terribly nervous, very concerned. I was asked by Frank Gomez to come and meet with them on a Sunday evening before they were going to testify the next day to give them assurances that these members of Congress were nice people and that all they had to do was answer the questions and so forth.

So Frank Gomez and I stroked these people, these three men, and there may have been another one. I am not sure. These were field commanders--in a briefing session and the next day I escorted them up to the outside office of the House Intelligence Committee in the Capitol. After that

there was a press conference where these people were present and a fairly large press conference downtown. I believe it was at the press club. I am not certain where it was. This was work we did, press relations, PR, using Frank Gomez.

. Q You said that Frank Gomez did this P.R. for you.

. A For Gulf and Caribbean.

. Q For Gulf and Caribbean.

. A Yes.

. Q So why did he call you about these people? Wouldn't it have been you calling him if he was working for you?

. A No. He was doing--I do not know who had told him that they were appearing before the House Intelligence Committee, but some person, some acquaintance of is told him these people were here and they were terribly nervous, terribly concerned about appearing before this committee.

. Now, incidentally, I am a former member of Congress. I was a very obvious person to call to give them assurances as to the kind of reception they were going to get; that they were meeting nice people. They were going to get a good reception. They had nothing to worry about. This was the basis of our whole meeting.

. Q Who was at this meeting besides the FDN commander and you and Frank Gomez?

. A Probably Bosco Matamoros was there and I don't

remember.

Q Was Oliver North there?

A No. He was not there.

Q Was Otto Reich there?

A No.

Q Was Bob Kagan there?

A No.

Q To your knowledge there was nobody else there except Bosco Matamoros?

A There very well could have been some other people there. You were naming names and I have a specific recollection of people who were not there.

Q But you don't remember who others might have been?

A No.

Q Was Rich Miller there?

A I don't think so.

Q You had indicated earlier, at least according to our colleague's recollection of your interview in March that Oliver North had called you and asked you to--

A This was a mistake that I corrected later. It was Frank Gomez that called me.

Q It was not Oliver North?

A It was not Oliver North. I corrected that later on on the records. I corrected it at the special counsel's office; isn't that correct, counsel?

MR. COSTON: Yes.

THE WITNESS: I checked my own records, and that was not true. It was Frank Gomez.

BY MR. OLIVER:

Q Well, did you discuss with Oliver North this meeting either prior or after the meeting?

A I don't think so.

Q Did you ever discuss the FDN commander's activities in Washington with Oliver North?

A Certainly.

Q Why would you have done that?

A I really can't think of anything else I would discuss with Oliver North except things like that.

Q What did you say to him and what did he say to you about their activities in Washington?

A There being here was to support the effort. His inquiries of me would be always on the subject of effectiveness to support the effort. Is it effective, is it being well done.

Q Other than their appearance before the Intelligence Committee, did you arrange or cause to be arranged any other meetings with members of Congress for these individuals while they were in Washington?

A With these individuals?

Q With these FDN commanders we are referring to on

that particular occasion.

. A My memory says that there was one meeting, maybe two, in the Capitol with a group or two. I don't specifically remember who it was, but my bell rings and says that they did meet with some congressmen. I can't quite--I am reasonably sure they met with some Congressmen.

. Q And these meetings were arranged by you?

. A May I define a word here?

. Q Please.

. A This was a two-way street. Whether the initiative was taken by me to ask the group do you want to hear these people or whether a group had heard about them and said will you arrange for us to have them, that happened both ways. I have no recollection in any single event as to which way it happened.

. Am I making myself clear?

. Q I think what you are saying is sometimes they asked you to arrange meetings for them.

. A Right.

. Q Sometimes you asked them to visit.

. A If they wanted these people.

. MR. COSTON: I think we have a problem with the ''they.'' By ''they,'' you are referring to congressmen?

. THE WITNESS: Always I am talking about members of Congress.

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MR. OLIVER: I see. I see.

MR. COSTON: That is the members of Congress occasionally asked you?

THE WITNESS: Yes.

BY MR. OLIVER:

Q Did you meet with the group after they had appeared before the Intelligence Committee?

A To meet with them substantively, no. To meet with them to escort them, yes.

Q Well, did you attend any of the meetings that they had with any members of Congress?

A I recall hearing congressman request these commanders. Of course, it had to be done through an interpreter. I can't even recall where it was. There were several meetings. Sometimes these groups meet in a member's office. Sometimes they meet in meeting rooms, and I simply cannot remember where these meetings took place.

Q When you discussed with Colonel North the effectiveness of these people, what was the discussion based on? If you didn't attend the meetings and didn't talk to them after they appeared before the Intelligence Committee and Colonel North wasn't there, how could you evaluate the effectiveness?

A I don't evaluate. Congressmen do.

Q You said you discussed the effectiveness with

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Oliver North.

. A I would have found out what happened in the meetings as far as the effect is concerned. If a congressman either agrees to or wants an appearance at a briefing of some kind or another, I don't go to the person that gave the briefing and say, ''Were you any good?'' I go to the congressman and say, ''Was he effective?''

. Q Did you go to congressmen after these people appeared?

. A I always did that.

. Q Which congressmen did you talk to after their appearance?

. A Whoever was there.

. Q You talked to members of the Intelligence Committee?

. A No. I didn't ever do that. I considered that privileged, and I never questioned a member of the Intelligence Committee about testimony before the committee.

. Q So you don't know whether they were effective before the Intelligence Committee?

. A Not in the Intelligence Committee, no.

. Q Which congressmen did you talk to after they met with them?

. A Whoever they met with at that time that were individual members. I do not remember who they met with.

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After all, there were scores of congressmen and there were scores of meetings.

. Q But there was a targeted list. You said everybody knew--

. A I would not ask a target if it was effective. I would ask a person that was not a target sitting there and ask if the performance was effective. You don't go ask a target if the work I was doing on you was effective. You don't do that.

. Q But why would they meet with congressmen who were not on the targeted list. If their minds were already made up one way or the other, why would they bother to meet with them?

. A Because they probably put the meeting together, the individual member of Congress.

. Q If they are talking to members of Congress who are already for or against contra aid and their mind is made up--

. A The groups are always mixed. The groups were always mixed.

. Q Maybe I am not making myself clear, but I am trying to find out how you determined their effectiveness and--

. A Ultimately their effectiveness about whether or not they come off the undecided list. That is what you ultimately do and if those that don't ever come off the undecided list, you find out the day they vote. That is the

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ultimate. You find out ultimately on the day the vote takes place whether you were effective or not.

. It is kind of a sudden death proposition. You can't vote maybe on that final vote. All right? A group of people meet with a visiting expert of one kind or another. Let's consider these people in their own field are visiting experts.

. Now, there are members of Congress in both sides of the aisle, on both sides of every issue, who are also, remember, working the same undecided list in the various WHIP organizations. Now, these people will say, all right, there is a group called the ninety something group that is a group of moderate Republicans and about half of them are invariably on undecided lists.

. They invariably ask for expert witnesses to come in. They almost always do ask for expert witnesses to come in. I don't ever attend those meetings. They are usually in private offices with a group of 15 people in an office. After it is over I will usually ask the host how did he do. How did he perform. Did he do well; that particular witness or that particular presenter. So on effectiveness immediately the question is did he perform well.

. Then later on you find out did it have any substantive effect on that person.

. Q But you don't remember who you asked whether or not

they perform well.

. A No, no. I asked somebody at each meeting whether these people were effective.

. Q But do you recall any of the names?

. A No, no. I asked somebody at each meeting whether these people were effective.

. Q But do you recall any of the names?

. A No, no, no. I don't recall. Because the meetings were always all different.

. Q In this, in Exhibit 1 on this confidential check list which I have shown you, it says, ''State LPD,'' and then in parentheses,''Gomez and Kukendall.''

. A I don't know what LPD means. Do you know?

. Q That is the Office of Latin Diplomacy at the State Department. You don't know what that is?

. A I have heard of the Latin American Public Diplomacy, yes. This is a town of ~~officials~~ INITIALS. If you will pardon me, counsel, a lot of times I don't remember ~~officials~~ INITIALS.

. Q Well, that was--

. A What is the question?

. Q The question was why were you and Gomez listed under State and LPD on Oliver North's check list?

. A I don't know.

. Q Were you familiar at the time with the Latin

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American Office of Diplomacy?

. A I never worked with them knowingly. That doesn't mean I didn't work--I didn't talk to somebody from that office because I didn't even know who they were with.

. Q Did you know Otto Reich?

. A Certainly.

. Q Did you know he was the head of the Office of Latin American Public Diplomacy?

. A I knew he carried a title of ambassador at large when he was over there and that was his title.

. Q Did you know that Frank Gomez and Rich Miller had a contract with the Office of Latin American Public Diplomacy at the State Department?

. A I knew when they got the contract. I do not know anything further about it.

. Q Well, they had several contracts which ran from October 1st of 1984 until October 1st of 1986 and it was during this period of time in 1985 when this check list was compiled that they were under contract to the State Department.

. A I was very, very, very much not involved in the private workings of IBC. I did not know where their business was, where it came from or how much they had. I retained them up until July 1st or thereabouts of 1985 to do a job for us and I worked with Frank Gomez doing these

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specific projects like these right here. These are very typical of some of the things we did.

. Q But you didn't know who the other clients were?

. A I knew they had a job with the State Department. I knew that. They were very proud of it. I knew nothing else. I really didn't know who their other clients were. I can't say that. I knew a couple of commercial clients they had that had nothing to do with the government.

. Q But you did not know the contract with the State Department they had during this period of time that they also were employed by the Gulf and Caribbean Foundation for Public Relations. You did not know that that contract related directly to refugees in Central America and Nicaragua?

. A Yes. I knew that, that they were working with some of the same people we were working with.

. Q Did you regard that or did you ever think there might be a conflict of interest there?

. A No. I thought our interests were identical. There was no conflict. After all, I was doing my work voluntarily.

. Q You were paying them to do the same kind of work that they were being paid by the State Department to do at the same time.

. A Correct. Right. I did not know which of the

different things that we did together that they were involved with the State Department on a concurrent basis or not. I had no idea.

Q Later on in this check list there is a reference to Joachim Maitre State/LPD, ''congressional meetings, speeches, and OPED pieces.''

A That is the same description I gave you earlier.

Q Why would your name appear on Oliver North's check list?

A On that?

Q On that particular subject.

A Because he knew of my relationship with Joachim Maitre. I think we were the very first people to sponsor Maitre in his trips to Central America.

MR. COSTON: Is your question why did Oliver North put Mr. Kuykendall's name down? I think he testified he didn't see this document until six weeks ago.

MR. OLIVER: I am asking why your name would have been on Oliver North's check list.

MR. COSTON: You are asking him to speculate on that.

MR. OLIVER: I am asking how Oliver North came to know Joachim Maitre was involved in congressional meetings, speeches and OPED pieces.

THE WITNESS: I can't imagine his not knowing it.

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BY MR. OLIVER:

Q Did you tell him?

A I am certain I told him.

Q Did you tell him in connection with this, with the efforts to influence the vote in the Congress?

A I couldn't answer that question at all. I wouldn't know how to separate them, counsel.

Q Let the record show I was referring to the reference on page 4, document page number 1371 in our documentation.

A Let me clarify something. I don't want to make it appear at all that I did not discuss this with Oliver North. I do not remember, and I don't remember the context.

Q On page five, document number 1372, there is a reference to Reverend Valardo Antonio Santeliz, Pentacostal minister, an atrocity victim, congressional media meetings, March 22, 23 and under the column headed, ''Responsibility,'' it says, ''State LPD,'' and then in parenthesis, ''Kuykendall and Gomez.'' Did you arrange congressional and media meetings for Reverend Santeliz?

A Congressional meetings?

Q Who did you arrange meetings with? Which members of Congress? Do you recall?

A It was at least one group. I did not arrange any individual meetings for him. There were at least one, maybe

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two groups of the different study groups and the 90 some odd group. Those were generally a couple of groups that met with people and this type thing. I do not remember at that time. It would not--there is no way I could have a recollection exactly which groups they met with. I do remember specifically that they did meet with groups and no individual congressman.

. Q Further down on the same page there is a reference to--I will read from the document.

. ''Invite President Duarte, Monge, Suazo and Barletta to a very private meeting in Texas with key congressional leaders so that CODEL can here unvarnished concerns for Sandanistas and Democratic leaders' support for the FDN.'' And under the responsibility column, it has in parentheses, ''KuyKendall,'' and then below that, ''NSC (North.)''

. My question to you, Mr. KuyKendall, is did that meeting ever take place?

. A No. I never heard of that meeting. I don't know where that came from.

. Q Did anyone ever discuss that meeting with you?

. A No. I don't have any idea where that came from. I think you know by now if I did, I would tell you.

. Q I would like to ask you about the names of some of the other people that are on this check list on which list

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your name appears.

A Sure.

Q I have already asked you about Jonathan Miller and you indicated you had never met him to your knowledge.

A To my knowledge.

Q And Walt Raymond. You indicated earlier you had met with Walt Raymond.

A Yes.

Q When did you meet Walt Raymond?

A I think I met Walt Raymond in about February of 1985 or thereabouts.

Q And what was the occasion?

A He introduced me to [redacted] who was in this country on private business and Walt Raymond introduced me to the man. That man, since then, and I have become close friends and our wives are friends even.

Q But that was the first occasion you met Mr. Raymond?

A Yes.

Q Who introduced you to Mr. Raymond?

A At that time he was right across the hall from Ollie North's office, but it is not my recollection--I believe I got this call from Walt Raymond, but when I went up to meet Raymond, Ollie crossed the hall and introduced

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us.

. Q So Ollie North introduced you to Walt Raymond?

. A But Ollie was not part of--it was a introduction.

. Q He introduced you when he was across the hall?

. A I don't think Ollie North instigated the phone call.

. Q When Mr. Raymond called you, what did he say he wanted to talk to you about or wanted to meet with you about?

. A He said, ''There is a man in this country on private business that I think for you all's cause of information, world-wide strategic information, that you would find extremely interesting. Would you like to have breakfast with him or meet with him and find out if he would be useful, would be of interest?''

. Q When you talk about the cause, are you talking about the contras or a broader cause?

. A Much broader in this case.

. Q There was the cause you referred to earlier that was the subject of many of the meetings at the American Security Council.

. A Absolutely. Absolutely. To give you an example, we did have breakfast together. I did escort the Count to Capitol Hill. The second place he went was to meet Chairman Hamilton.

Q What was this gentleman's name?

A The Count Alexander de Marenches.

[redacted]

Q What does he do now?

A He is a retired private citizen.

Q Does he live in France or the United States?

A He lives in France and Switzerland both. He lives in South of France and Viviers, Switzerland and Paris. His mother was American and his English is perfect.

Q You met him in Walt Raymond's office?

A No, no. I did not.

Q Where did you meet him?

A I met him at the Madison Hotel in the lobby. I have never seen him and Walt Raymond together.

Q Walt Raymond did not accompany you to this meeting?

A No, he did not.

Q You met with Walt Raymond. He indicated he thought this gentleman might be helpful, and he arranged for you to meet him at the Madison Hotel.

A That is correct.

Q And the two of you met alone?

A Yes.

Q Was Nicaragua discussed at this--

A No, sir. I have never heard the Count mention Nicaragua. It was always a broader picture than that. But

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because of [redacted] I took him to meet Chairman Durenberger. I always excused myself because it was classified. I took him to meet Chairman Hamilton. I excused myself, because it was classified. He met the staff of the Senate Intelligence Committee on a private meeting.

I think he met the staff of the House Intelligence Committee. I can't remember for certain whether he did or not. [redacted] I left because I thought it was proper that I do so. And by the way, each of the people that met with him were most impressed about the breadth of this knowledge.

Q Did he speak to your luncheon group?

A Yes, he did, much after the fact. He spoke to our luncheon group in January or February of this year or maybe December of last year. He was over here on his own private business early, I think it was December. And he came in as a guest and spoke to us.

Q Did you ever have any business or financial relationship with the Count subsequent to your first meeting with him?

A Other than paying his expenses for a second trip?

Q The Gulf and Caribbean Foundation paid his expenses?

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A No, no. This was done through--with my own private funds and reimbursed by Ollie North.

Q Why would Ollie North reimburse you for the Count's trip?

A Now that whole matter is a matter of record. I will go over it. I just want to tell you it is a matter of record, both here and downtown.

MR. COSTON: In fact by way of background, we spent several hours with Mr. Woodcock identifying travelers' checks that were used for the reimbursement.

THE WITNESS: We, in 1985, a couple of months after, whatever, after the Count had been here the first time, in a discussion about who was quite effective with the moderate elements in Congress that would look at the big picture, this name came up. And Ollie North asked me, ''Can you bring him back over?'' He had volunteered to come, but he said I will never charge you anything, but I do have to have my expenses paid.

BY MR. OLIVER:

Q Now did his name come up? Did you raise his name?

A Yes, as being a tremendous asset to us.

Q Did Oliver North know him? He met him before?

A I don't think so. Not this trip. He met him later, but he did not meet him on this first trip.

Q You discussed the names of people who could be

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effective with Congress.

. A Right.

. Q And you indicated that this fellow was impressive, and you thought he would be effective.

. A Right.

. Q North asked you if he could come back over.

. A Right. I said we didn't have the money, and he said, ''If I can get some of our friends to pay for it, will you or can you underwrite it on the front end?'' And I said, ''Yes, I can do it that way.'' So that is what we did. And I wrote a check after the Count got back. He rode the Concord, by the way.

. He is partly crippled and it travels very fast, and so the total bill for the trip, the entire trip, was $6,100 and some odd dollars, which I wrote him a personal check for that, and I was reimbursed with those traveler's checks in three, two thousand increments to reimburse me for that.

. Q And those traveler checks were given to you by Oliver North?

. A Yes.

. Q Were they blank when they were given to you?

. A Yes.

. Q Where did Oliver North tell you he had gotten those traveler's checks?

. A He did not.

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. Q Did he explain to you why they were on a Central American Bank or Cayman Islands Bank? You noticed what kind of traveler's checks they were, I assume.

. A The first time he gave me checks, he made notes on his notebook of the numbers and said be sure and sign those things. They are cash. I don't have any recollection of having noticed what kind of traveler's checks they were, what kind of--I am not sure they weren't Barclay's Bank or traveler's checks.

. I don't know what they were. I don't have any recollection of that really. They were reimbursing me for money I had already spent, the traveler's checks. I had already spent the money and paid for everything and simply they were reimbursing me for money already spent.

. Q Sorry to put you through this again. This is my first awareness of this, and this is for the record.

. A Frankly, it is relevant. They were Visa traveler's checks. I knew they had some familiar thing on the front. They were Visa.

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MR. Oliver: I would like to enter copies of these traveler's checks. Mark them as Exhibit 2 and ask you to look at these photocopies of traveler's checks.

(Exhibit 2 was marked for identification)

BY MR. OLIVER:

Q I would like to ask you if those are copies of the traveler's checks you received from Oliver North and whether or not that is your signature on those checks?

A Oh yes. Yes.

Q You will note that those traveler's checks come from two different banks. One is the AC Bank and one is the Banco Del Pichincha, I believe.

Did you ask Oliver North why these checks came from two different banks?

A No, I did not.

Q Did he tell you what the source of these traveler's checks were?

A No. No, he did not.

Q Did he give you these checks in his office?

A Yes.

Q Did he remove them from a safe in his office?

A Not that I remember. There was a safe there but I do not remember his removing them from it. He had a book in

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which he noted the numbers and there were several sequences there. These were three different transactions of $2,000 each.

. Q Were you concerned about taking cash from a White House official?

. A No, because of the fact he had indicated in the beginning that this was money of friends of his, of course he said, and he had indicated that it was a nongovernmental source by saying friends of ours, when he made the request in the first place.

. Q But you never inquired as to the source of the funds?

. A No, no.

. Q Did the Count ever inquire?

. A He never saw it. He got a check from me.

. Q Did you tell him who had paid for his trip?

. A No, I did not.

. Q And when did that trip take place?

. A Somewhere like March, April of '85.

. By the way, the dates on one whole batch of those traveler's checks is wrong by one month. When I said a whole stack of them I put the wrong date on them by exactly one month. It should have been 4-5 instead of 3-5. We discovered that by the fact my bank records didn't give with the date on the check and then we realized that.

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Q Some of them indicate March 5, 1985?

A That was April 5th.

Q April 5, 1985?

A It is just the fact I simply sat down and signed them with the wrong date on them.

Q And then you deposited them----

A Directly into my personal bank account and then transferred it to my company account.

Q It was April 12?

A Yes. That was cash. I had to get those out of my hands.

Q This was after the Count had come to the United States and returned to Europe?

A Yes, yes. I had already written the check.

Q So the trip took place in----

A Say March.

Q March of 1985. How long was the Count in the United States?

A Under my umbrella, five days.

Q And what did he do during those five days that he was under your umbrella?

A We spent three full days on the Hill.

Q What did you do and who did you see?

A Visiting again with some of the same people. The Intelligence Committee staff I believe was on the second

trip. I remember Durenberger saw him again.

. Q On the Senate side?

. A On the Senate side. I can't remember whether Lee Hamilton saw him a second time or not. I do not remember. My recollection is that we saw the ranking member of Intelligence. Who was it at that time? I have forgotten, on this side. Would that have been the guy from Arizona, Congressman----

. Q Bob Stump?

. A Yes, Stump. I remember one of the moderate to liberal groups of Republicans asked him to come in and visit. He specifically remembered that meeting because he considered it a very constructive meeting.

. Q Did you attend these meetings?

. A No. Well, I did one of them, but these, this is Private Study Group stuff and I could have sat in, but I just thought it better if I didn't. And so we spent three full days on the Hill and when I asked him to come over here, he said you are not going to work me for a full week, are you?

. I said no. I will tell you what I can do. I will take you to Texas and let you see a ranch. So some of the Gulf and Caribbean people met with him as the primary guest at a summer place outside San Antonio at Hunt, Texas, for kind of a picnic at noon time on a Thursday, on that

Thursday. And that trip--and it is necessary that you know this because it is my record in both other places. I don't want you finding things you are going to have to come back in here for. It is on the record in the other places.

. Q Thank you.

. A Mr. Blakemore, who is President of Gulf and Caribbean, sent his own airplane up here and Ollie North, the Count--this is the first time Ollie had met the Count--and I and a member of Gulf and Caribbean, by the way--that happened to be in town, a rancher--flew back to San Antonio, drove privately to Hunt, Texas where the Count was the guest, honored guest.

. Q Flew from Washington to San Antonio?

. A On a private plane that belong to Mr. Blakemore, President of Gulf and Caribbean, okay? And Mr. Blakemore was not on the airplane because he knew it was going to be full. I think it was a Lear. I forget what kind of airplane it was. He gave--Ollie North gave a portion of his briefing--remember it was outdoors at a picnic. He had no slide projectors or anything. It was mostly just a short verbal briefing. He was not the guest of honor.

. Then the Count gave his overview of the whole strategic situation worldwide--actually, insofar as he called it the Soviet Empire.

. Ollie had to return immediately, so one of the

guests was from San Antonio. Ollie drove back over to San Antonio in an automobile ~~and~~ a smaller private plane then flew the Count and me and Mr. Blakemore out to a ranch fairly close to the Rio Grande, just north of Big Bend Park.

. One of the things that the Count wanted to do actually was to fly up and down the Rio Grande River some. He wanted to actually see the terrain. I remember asking him why are you doing this? Why do you want to do that? He specifically asked Mr. Blakemore if the plane could fly him up and down the river.

. He said, when I return to Paris I want to be able to tell my friends I have seen the place that the American-NATO Army will be if Central America ever falls. ~~And~~ That was his specific comment and I have got a good memory for that.

. Then we went back to Midland, spent the evening, and he flew back to New York on Friday, directly back to New York from Midland.

. Ollie flew directly back to Washington from San Antonio and the only transactions that Gulf and Caribbean ever had with Oliver North, we purchased that ticket--and it is a matter of record--for Oliver North, a one way ticket from San Antonio back to Washington, and that is a matter of record that we have turned over.

. Q He gave you these traveler's checks on two separate

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occasions, three separate occasions?

. A Correct.

. Q Why did it happen on three separate occasions?

. A I have no idea.

. Q Did you tell him how much the expenses were?

. A Yes.

. Q Did you give him any receipt for the expenses?

. A No sir.

. Q You just indicated to him that this was the amount? Did you give him any kind of letter or anything for his records?

. A No, I did not.

. Q Why, when he gave you the first batch of checks, did he indicate to you that he would reimburse you for the balance at a later time?

. A There was never any certainty until all the money came in, that there would be any more. There was never any absolute guarantee on the front end that I would get any money. He said if you will do it, I will get our friends to help us on it. There was no written guarantee from him that I would ever get any of the money. There was no written guarantee any more than our discussion. So I had assumed, frankly, if I got as much as $4,000 back I would be lucky. I never expected to get all of it back, the $6,000, or $61 something.

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. Q Why did you give some of the traveler's checks to Elizabeth Powell?

. A Elizabeth Powell? I don't know. This was--in the sense of giving them to her. She picked me up out in front of the Old E[illegible]on the way to the airport. This particular envelope of checks I had never opened. When I got in the car, she was going to the airport. I handed her the envelope. I said get these things in the bank and I didn't even think about the fact that they weren't signed. She had to sign them to put them in the bank.

. Q This was the last batch of checks?

. A The last batch. And we had forgotten about the fact that it happened this way until she realized it quite a while later when we couldn't find $2,000 worth of those checks, and it turns out that she had put them in her account and then moved them over the same way we did the other. They showed up in her bank account, but the transfer over to the company accounts happened in the same way?

. Q At the same time?

. A No. Well----

. Q When did she reimburse the company from her accuont?

. A Within a day or two later.

. Q Within a day or two?

. A That is in all the bank records. They have all the

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bank records here about that order of events.

MR. COSTON: The Senate I think does, and the FBI does.

THE WITNESS: The Senate does and the FBI does, as far as those sequences of events were concerned. Now remember, it was our money, period. I told the FBI guy I don't want any snow tire story. This was reimbursed money for money we had already spent as far as the way she handled it is concerned. But we did make a complete record here. The bank records are total. It all moved into the account that I wrote the check on in the first place.

BY MR. OLIVER:

Q Now, when you made the arrangements on Capitol Hill----

MR. COSTON: For the record, I want to make sure you have got--we also turned over Elizabeth Powell's bank records showing a document captioned K-8 and K-9, the transfer of money from her personal account to the Kuykendall Company account.

BY MR. OLIVER:

Q When were those dated?

A May of '85.

Q When you made the arrangements for the Count visit with people on Capitol Hill, what did you tell the people he was going to talk about? What did you tell them the purpose

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of the meeting was?

. A My recollection is the Count's entire presentation was to describe the way the Central American-Cuba initiative fit into the worldwide Soviet strategy. This was always his agenda. This was one of the reasons it was so interesting to the members of Congress is because of the breadth of knowledge of it.

. Q When you say the Cuba strategy----

. A As Cuba relates to Central America and as it relates to us. This was his presentation.

. Q So he discussed the dangers of Cuban influence in Nicaragua and in Central America in general?

. A As I told you earlier, counsel, I have never heard him even discuss Nicaragua. He looked at Central America as an entity, one whole entity. He looked at Mexico as a different entity. He called it that powder keg--Mexico. He considered it indefensible. In other words, we would just have to pull back and draw the line, because he said that country is not defensible at all. This was his comment.

. Q Well, did he regard the establishment of a Cuban-Soviet base in Nicaragua as a danger to all of Central America and to the United States?

. A Absolutely.

. Q And he articulated that very well?

. A Yes.

. Q I assume that was the main reason that you and Oliver North wanted him to come back to the United States?

. A That is right. He was not provincial in his picture. In other words, he did not discuss the contras or anything like that.

. Q Did he discuss the need for United States assistance to the contras? Did he discuss the importance of it?

. A In the specific discussion of legislation, no. In the necessity of the United States somehow preventing the establishment of a well established Havana-Soviet base on the mainland of North America and Central America, yes. He considered the prevention of that as essential to the overall strategy.

. Q Can you remember the names of some of the Congressmen and Senators with whom he met besides Senator Durenberger and Lee Hamilton and Bob Stump, whom you have mentioned?

. A Yes. Congressman Bob McEwen of Ohio had a private luncheon in his office for I think eight or ten Congressmen--buffet there. I don't remember who was at the meeting even. The Congressman from Pennsylvania, Bill Clinger, Congressman Clinger, who was the head of that, what is it, the 92 Group, 93 Group. I don't remember the name of it, 90 something Group. Congressman Clinger was chairman of

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that group and he hosted the group in his office also where the Count attended.

. Q Do you remember any others?

. A No, I don't.

. Q Did you arrange any media events for him?

. A No, absolutely not.

. Q Why not?

. A Again, because I did not want the media descending upon the Congressmen, because, after all, this is right in the midst of a political vote situation and if a person in my position is to maintain the trust of the members of Congress and say I have a very important guest that wants to visit with you, if the Congressman thinks that there is going to be a reporter standing right outside the door saying well, did he change your mind, did he put pressure on you, all those questions. If I allowed that to happen, I would have no credibility with the members of Congress in our Gulf and Caribbean attempt to give them a position without any pressure.

. Q To give them a position on Central America?

. A Right, or anything else. If I were conducting another issue on another lobbying job. This is a level of trust that I have built up personally on Capitol Hill and I will keep that level of trust.

. Q But this particular lobbying job related to an

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effort to obtain humanitarian aid for the contras?

. A That is right. Absolutely right. In this case it was. It would be no different than any other lobbying job. If a person is to be able to listen to an established expert and he is undecided on an issue, he simply doesn't want the flack of saying have you made up your mind yet.

. Q You were doing all this as a volunteer?

. A Yes. At this time, yes I was, at this time. There came a time that I did receive some lobbying money, but not at this time.

. Q When did you receive lobbying money? When did that time come?

. A The first time? June of '86.

. Q Where did that money come from?

. A Sentinel.

. Q We will come to that in a minute, but I would like to go through this chronology if we could, and I would like to ask you about some meetings that are indicated in 1985 on Colonel North's calendar. We have already talked about the luncheon at your town house, this luncheon group that Oliver North appeared before.

. We talked about the meeting on March 1st late in the afternoon at your town house.

. Do you remember a meeting which took place in the White House between 12:30 and 1:30 on March the 27th with

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Mr. Calero, Mr. Cruz and Mr. Robelo in Oliver North's office?

. A In the White House? No sir. I have never been to such a meeting.

. Q Were you ever at a meeting in Mr. North's office with Robert Owen?

. A No sir, not that I remember.

. Q You don't recall ever being at a meeting with Oliver North and the Triple A, as they were called?

. A In the White House?

. Q Well, do you remember being in a meeting with Oliver North and a Triple A anywhere?

. A Oh I am sure I have, but not in the White House.

. Q Where would those meetings have taken place?

. A Either in my town house or at possibly receptions of one kind or another. There were several receptions around that those people were there and I attended.

. Q There were several meetings in your town house?

. A No, not with Oliver North, maybe one. I don't have any specific recollection of any meeting including them other than a reception, which I had after one of the votes to that the people that had worked with us, where the Triple A were guests and I am reasonably sure Ollie came.

. Q That was in June or July of '85, right after the final vote?

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. A About that time, yes.

. Q But you don't ever remember being in a meeting with Robert Owen and the Triple A?

. A Counsel, I didn't know who Rob Owen was for a year. I would see him standing on the wall and I wasn't even aware he existed. I didn't know who he was or what he did or anything bout him. There was, sometimes there was a guy standing over there in the corner. I didn't know his name.

. Q When did you find out who he was?

. A Probably well into '86 and even then I wasn't sure who he was. He never said anything, never did anything as far as I was concerned. Never opened his mouth. I have never had a conversation with him.

. Q Do you remember a meeting on March 28, 1985 with Oliver North, probably a breakfast at 7:30 in the morning?

. A Who besides me?

. Q Just you.

. A Does it say where?

. Q Well, it doesn't indicate where. It might have been in his office because it doesn't have a place.

. A I have never had even a coke in his office, much less breakfast.

. Q Did you ever have breakfast with him in the White House mess?

. A Not that I remember.

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. Q Well, did you ever have breakfast with him just the two of you?

. A I could have, but I have no recollection of it.

. Q Do you remember meeting on April 1st with Oliver North and the Triple A at 5:30 in the afternoon?

. A Where?

. Q I don't know. Do you remember such a meeting?

. A I don't know. The only thing I can tell you for sure, Counsel, is I have never met with him in the White House. Other than that--because of the fact that I was with the leadership many times--and so I really don't know.

. Q At 5:30 in the afternoon. Would that probably have been at your town house?

. A It could have been.

. Q Because that was usually the time of this meeting?

. A Yes, could very well have been.

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RPTS MCGINN
DCMN LYNCH

. Q And the Triple A would come to these meetings?

. A What is the date on that again?

. Q April 1st, 1985.

. A No, no. I was thinking about the possibility of a reception but anything in the way of a reception would have been after a vote and there was no vote there.

. Q When did the first vote occur in 1985?

. A Somewhere in April, because I remember specifically the conservative and moderate Democrats asked the Speaker to give them another vote and about six to seven weeks later he gave them another vote, and that vote took place in June. So we had to back off from that, so it had to be around mid-April.

. Q Do you remember a meeting on April 2nd or 3rd at 4 o'clock at your town house where there was a steering group meeting and a head count and Oliver North attended?

. A Not specifically. I don't remember Ollie ever attending but about maybe two of those.

. Q Were those prior to the first vote?

. A Yes. That would have been prior to the first vote. Wait a minute. I am sorry. Strike that. I got my--when you say first vote, you mean first vote in----

. Q 1985?

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A Let's go back and strike.

Q We are still in 1985.

A We are still in 1985. That is why I stuttered here. The Triple A leadership?

Q No. This was a steering group and head count meeting that I believe took place on April 2nd at 4 o'clock in the afternoon?

A That very well could have been a steering committee meeting and a head count, yes.

Q And Oliver North attended?

A He very well could have.

Q What happened at these meetings when you went over the head count? You chaired the meeting, is that right?

A Yes. The first thing we did was report any movement. Ollie North sat there and listened. I don't recall him ever participating because he sat there and listened to the status of the situation. He really had nothing to add here, because we were supposedly the experts, he wasn't. So each of the people had talked to staff, had talked to members, had had their ear to the ground, and they would report, well, so and so has come over or so and so has decided against us. The first thing you do is correct the list. You do that every time you meet.

Q Did you keep the master list as the chairman of the group as the thing fluctuated?

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A There was no master list. I kept a list and virtually every one of those people had lists also. They were almost identical.

Q But basically it was a list you worked off that changed?

A It was a floating list we worked on and each time when a person came back to the meeting each list would be a little different. So we would combine the list again.

Q At these meetings did any of these people report on the grass roots activities of their organizations that were designed to influence?

A Occasionally, but very, very little, because this is a tough town, remember. Everybody had his own turf and one of the reasons that I have always been a good coordinator of coalitions is that I don't have a grass roots organization, so I don't get on anybody's turf. We didn't presume to tell anyone how to run his own show.

Q Why was Ollie North there?

A He just wanted to know what was going on. He wanted to know the status, I am sure.

Q Of the head count?

A Right. After--my recollection is that after one or two such meetings that Ollie did not come to those meetings any more because there was nothing there for him.

Q Did anybody from the legislative office in the

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White House attend those meetings?

Q No sir. They were never at those meetings. They were not allowed to. There was some law or something.

Q Ollie North was allowed to but the Legislative Office was not?

A I don't know that. I am just telling you I was told by the Legislative Office, who I was very close to, very good friends with, we cannot come to your meetings because of some law.

Q But you discussed the head count with them yourself. I mean, separately from these meetings?

A In the hallways they were there, I was there. Sure, we discussed individuals, what is the status, and so on. After all, there were three or four of those people around the chamber all the way around all the time, as you well know. I know them, sure.

Q When the House wasn't in session----

A I never met with them then.

Q Never talked to them on the phone?

A Seldom, if ever.

Q Were those the White House legislative people or the State Department legislative people?

A White House. White House.

Q You never met with the State Department?

A Only time I ever saw them was the day of a vote and

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I never was sure who they were.

. Q Do you remember a meeting on April 17, 1985 with Oliver North, yourself, Rob Owen, Frank Gomez and Rich Miller at 1:30 in the morning?

. A No. I don't have any recollection.

. Q Why would such a meeting be indicated on Oliver North's calendar?

. A Probably because it took place. I said I have no recollection of it. I don't swear it didn't take place. I just don't have any recollection of it.

. Q If a meeting took place between Oliver North and yourself, Rob Owen, Frank Gomez and Rich miller in the White House?

. A In the White House?

. Q Yes.

. A No.

. Q. Would such a meeting have taken place somewhere else?

. A It could have.

. Q Where would it have taken place?

. A It could have taken place in my town house. It could have taken place in Rich Miller's office. But it did not take place in the White House.

. Q You don't remember such a meeting ever occurring?

. A No. And I think I would have. I think I would

have remembered that.

Q Do you remember a meeting on May 30 at 4 o'clock----

A Are we still in '85?

Q We are still in '85--with Trent Lott and Pat Buchanan and yourself with Oliver North?

A No. In '85?

Q In 1985, May the 30th. Do you remember a meeting with Trent Lott and Pat Buchanan?

A Yes, but not until '86. This doesn't ring a bill at all. Later on, yes, but not in '85.

Q We may have the year mixed up.

A Excuse me a minute. I am not going to talk to anybody. I will be right back.

(A short recess was taken.)

MR. OLIVER: Let's go back on the record.

BY MR. OLIVER:

Q You don't recall a meeting in May of 1985 with Trent Lott and Pat Buchanan and yourself?

A No, I do not.

MR. COSTON: And Oliver North?

MR. OLIVER: And Oliver North?

THE WITNESS: No.

BY MR. OLIVER:

Q Or without Oliver North?

A No.

. Q You said that you had receptions at your town house in 1985 after the vote?

. A I think I did. I had one in '86 after the vote.

. Q Do you remember, would June 19th have been an approximate time?

. A Yes, it sure would have.

. Q In 1985?

. A My recollection is the members of that team and some others, of that coalition team, that I had a reception and invited the contra leadership and invited some Congressmen. That is my recollection. I don't have a record of it, but that is my recollection that that is what we did and it would have been a natural thing to do.

. Q Do you remember meeting a Father Tom Dowling at that reception?

. A At that reception? No. I seem to remember meeting him later than that.

. Q You don't remember whether he came to that reception?

. A No.

. Q After the vote in 1985 did this coalition that you had built, sort of then disburse and there was no other activity for a period of time?

. A I wouldn't use the word disburse, counsel.

. Q They still stayed in town?

A It ceased to be active. We felt like for a short time there we could get back to other business.

Q So you didn't have any more strategic meetings?

A No.

Q When did you begin to think in terms of the vote in 1986?

A In late '85, their business.

Q Did you have--did any meetings take place to discuss the strategy for 1986?

A The sessions for breakfast continued, remember, because they were not contingent upon Central America.

Q That was the American Security Council breakfasts?

A That was about the only brainstorming place that we would generally meet and discuss movement. I don't remember any formal planning sessions during that five month period in there. It could have happened, but I don't remember them.

Q So do you remember coming back together late in 1985 with this coalition to start to put it back together again?

A I cannot put a finger on the date at all. I remember that we began to come back together for obvious reasons, to seek further aid and the possibility of actually being able to achieve military aid began to become viable in late '85.

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. Q Were there any new additions to your group in 1985, late '85, early '86, who hadn't been involved in '85?

. A PRODEMCA began to play a more active role and they began to become a separate center group. We called them the missionaries to the Democrats because it was kind of an assumed thing. PRODEMCA had a great many good contacts on the Democratic side. Some of the PRODEMCA people were quite close to McCurdy and his group, so PRODEMCA began to emerge as a more important player than they had been before, and during that period, from then on, when it came to working with anyone except the Boll Weevil-type Democrats, and we considered them virtually all on the decided list anyway, that became more and more the role separately of PRODEMCA.

. Q I would like to go back for just a moment to 1985. You indicated in 1985 IBC, you had hired IBC as your public relations firm?

. A Right.

. MR. COSTON: By you you are referring to Gulf and Caribbean?

. MR. OLIVER: Gulf and Caribbean Foundation?

. MR. COSTON: Yes.

. MR. OLIVER: Our records indicate that in 1985 Gulf and Caribbean Foundation received just under $14,000 from IBC. Why would Gulf and Caribbean Foundation receive payments from IBC.

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THE WITNESS: Here we go, counsel.

MR. COSTON: The frustrating thing about this exercise is to have to say it twice, one to the Senate and once to the House.

THE WITNESS: Your figure is not correct, and $14,000 is not correct, and I have ended up with a lousy newspaper article that we have had to call the lawyers and KNIGHT RIDDER ~~Miami Herald~~, almost sue them because of that.

BY MR. OLIVER:

Q Could you explain to me why these----?

A Counsel, let me vent my spleen for just a moment, all right? In 1986--by the way, the committee voluntarily has the entire file even including pictures of what I am fixing to tell you.

MR. COSTON: You will find it in document CH-05013, CH-05364.

THE WITNESS: When I mention the name of the case you are going to remember it. The prosthesis case. You probably heard of it now that I say it.

BY MR. OLIVER:

Q All right, yes.

A What you have there is very incomplete. That is only one of the two checks. We had guaranteed a prosthesis manufacturer in Miami, working with a Dr. Gonzalez. We had guaranteed ~~there~~ their being able to complete the manufacturing of

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prostheses for some contra who were in the hospital in El Salvador. The prostheses were manufactured in Miami and the doctor was a Cuban-American doctor, who was supervising this and donating his time. The money was to come from an overseas source and we guaranteed it in personal phone calls with Dr. Gonzalez.

. By the way, the whole file is on record, even including the pictures of the amputations and all that business.

. So over a period of approximately four or five months, we paid a bill for $14,000 some odd dollars. That was about $13,000 of that was around prostheses, some of it was for travel.

. In early fall, we paid another bill for $6 or $7,000, a total of $21 some odd thousand. In each case, we were reimbursed with a cashier's check from a Cayman Islands account to pay invoices that we had guaranteed so that they could be finished with a Dr. Gonzalez in Miami. This was the Prosthesis case.

. Q So you received $21,000 from IC, Inc. in the Cayman Islands?

. A I did, yes. I didn't know until months later who it came from because the first check I got did not have an acknowledgement. It was simply on Barkley's Bank and it said nothing about I.C.. The second payment, which we had

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made, was put into my file by Ms. Powell and again paid, and until this whole thing came out in I think February----

. MR. COSTON: February of '87.

. THE WITNESS: Yes. We had all of our records and there was a little note on the end of the second check that said I.C., that we have been instructed by I.C. or NOINTEL.

. MR. COSTON: You have a copy of that document in the materials and the Senate has had it for months.

. MR. OLIVER: I see that. I wasn't really asking about the payments from I.C., Inc. I was asking about payments from IBC to the Gulf and Caribbean Foundation.

. THE WITNESS: IBC to Gulf and Caribbean?

. BY MR. OLIVER:

. Q Yes. Fifteen hundred dollars on January 23, 1985, a thousand dollars on February 12, 1986.

. A IBC?

. Q Yes.

. A That is not correct.

. Q You never received--would they have been reimbursing you for rent or expenses of some kind, or telephone bills?

. A We paid them money. They didn't pay us any money. It has got to be either----

. Q Maybe it is a typo. Maybe it should be to IBC then in '85.

. A It has to. Oh yes.

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Q How much did you pay them in 1985, do you remember?

A Oh, probbly $15,000 or thereabouts. I am just guessing.

Q Then this might be, should be to instead of from?

A I thought you were----

Q This is a reconstruction. I am glad you cleared that up.

I would like to ask you abut some indications from--that are based on excerpts from Oliver North's notebooks about meetings with you.

A All right.

Q Do you remember a meeting on March 31, 1984 with General Gorman and you and Oliver North?

A Yes. That is what I mentioned to you before.

Q That was the first meeting?

A Okay, within two days before that would have been the first time I ever met Oliver North. That is the GEN. Gorman meeting. That is the date. Now I know exactly when I met Oliver North.

Q That was based on the Salvador pricing thing?

A On the Salvadoran weapons thing. That is the first time I have known exactly when I met Oliver North.

MR. COSTON: Assuming his notebook is accurate.

THE WITNESS: Assuming his notebook is accurate and I am not sure some parts of his notebook are accurate.

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BY MR. OLIVER:

Q On the 24th of May did you receive a phone call from Oliver North about a trip involving an air fare of about $2500 in 1984? Do you recall that?

A You say about a trip?

Q Yes, a trip to someplace for $2500, an air fare was $2500. A discussion with you?

A No.

MR. COSTON: In 1984?

MR. OLIVER: 1984.

BY MR. OLIVER:

Q Do you remember discussing with him any humanitarian organization or changing the name of any organization for any purposes?

A I am trying--counsel, I am trying to put this in context in my mind of that date, and that time, and what was going on at that time and I am having a little difficulty even putting it into context. But can you go on down your list a little bit and let me see if I can bring it into focus?

Q Some of these are very--his notes are not always complete sentences.

A I can understand part of it.

Q That is why I am trying to reconstruct from some of these notes, but you don't recall that at the moment?

. A No.
. Q All right. Do you recall a meeting, Oliver North calling you or you calling him and someone named Vaughn arranging help for a foundation in July of 1985?
. A Vaughn? No.
. Q Would that have been Vaughn Forrest?
. A I don't know him. Doesn't ring a bell even.
. Q You don't know Vaughn Forrest.
. A No sir.
. Q Did you ever discuss a freedom ball or liberty ball in 1984 with Oliver North?
. A No sir.
. Q Did you ever discuss in July of 1985 any assistance for Eden Pastora, expenses for Eden Pastora with Oliver North?
. A No sir. What year are you in?
. Q I am in July of 1984.
. MR. COSTON: You said '85.
. MR. OLIVER: I am sorry. I meant '84.
. THE WITNESS: Goodness no.
. BY MR. OLIVER:
. Q Do you recall a man named Montenegro, Montenegro? Was that the Salvadoran defector?
. A I think so.
. Q And Frank Gomez? 1984?

A It is too early.

Q All right.

A The name Montenegro rings a bell, but that is all, and it is too early to have had anything to do with the other issue.

Q Now, did you--you remember a meeting with Oliver North on the 5th of Februry 1985 about bringing together these 15 groups for the Central American Coalition?

A I remember such a meeting. I have no idea who was there, but I remember that we certainly had such a meeting to discuss the coalition. This was about the time that I mentioned to you earlier. I have no idea whether Oliver North was at that meeting.

Q Do you remember where the meeting took place?

A I think that meeting took place at PRODEMCA.

Q Do you remember establishing some subcommittees related to this coalition?

A No, I do not.

Q Do you know a man named Lou Letterman?

A No.

Q Do you know Chris Manion?

A I met him several different times where he would be an observer over at the American Security Council. I don't remember being with him in any other meetings.

Q He wasn't involved in any of your coalition

activities?

A No. He was over on the Senate side you remember, and virtually everything we did was on the House side.

Q You worked only on the House side?

A Primarily, because of the circumstances.

Q Do you remember discussing with Oliver North an interview that had taken place with Senator Lugar?

A No.

Q Do you remember discussing Senator Lugar or Senator Lugar's position with Oliver North on contra aid in 1985?

A Sir, I don't remember that Senator Lugar's position on contra aid was ever in question at any time.

Q Did you ever meet with Max Friedersdorf related to the 1985 contra aid?

A No sir.

Q On the 4th of March in 1985 there was an occasion of a call from you to Oliver North that had to do with going to see Lugar's staff and something about Hamilton's staff canceled. Would that have been related to the council meeting?

A Yes. Lugar, we did not get to see Lugar on that visit.

Q And Hamilton's staff counsel had canceled?

A No. We saw Hamilton. Hamilton's Intelligence Committee staff had had to cancel. We did not get to see

them. Remember a while ago I said I wasn't quite sure about that? Hamilton's committee staff had to cancel, but Hamilton did see him.

Q And you called Oliver North to tell him these things?

A Probably.

Q Did you have any discussion with any discussion with Oliver North in early 1985 about private funding for the contras?

A No sir.

Q Were you aware of any solicitation of assistance from Third Countries?

A No sir.

Q During that period of time?

A Never.

Q Do you remember a meeting on the 16th of April, a short meeting with Oliver North, yourself, Jonathan Miller, Rich Miller and Rob Owen?

A No sir.

Q You don't recall such a meeting taking place?

A I am sure such a meeting with those characters, that set of characters, never took place.

Q Did you ever discuss with Oliver North a protest at the Nicaraguan Embassy?

A No sir.

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Q Did you ever discuss with Oliver North an Op Ed piece signed by all the leaders, the Triple A, as they are referred to, all the leaders of the Democratic Resistance?

A I could have discussed such an Op Ed piece after the fact, not before the fact.

Q Did you ever discuss with Oliver North a plan ~~that~~ from Robelo that involved the firing of Enrique Bermudez?

A No sir.

Q Did you ever meet Bob Kagan?

A Yes.

Q In what context did you meet Bob Kagan?

A He would sit in on some of the larger meetings. That meeting over at PROFEMCA that I mentioned, he was at that meeting specifically, and he would sit in on some meetings to kind of comment on the State Department point of view.

Q These were the strategy meetings, coalitions?

A In '86 when we got into the larger group. See, the small group of about seven, seven or eight, was a 1985 phenomenon only. That group expanded and we began, remember, a kind of joint operation between the PROFEMCA group for the Democrats and so forth, and at those meetings at least once or twice, Kagan was definitely there.

Q And these meetings when you were discussing the vote in 1986, not 1985.

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. A That is correct.

. Q When you say the larger meetings, this was a separate group from the one that met at your town house?

. A That is right. See, the town house meetings were a 1985 event only. That group became a much larger group with a lot more dimensions and my town house wasn't big enough to have such meetings in my town house in '85. I don't recall we ever had a meeting of that group in the town house.

. Q Did you chair the larger group too?

. A No, I did not. And I don't remember who did.

. Q Would it have been Richard Miller?

. A Oh no. He was not a player on this scene.

. Q Who were the players in the legislative evaluation strategy?

. A I would think that--my recollection is that whoever was hosting kind of acted as a moderator more than a chairman. I continued to report to the group primarily on the movement of the Republicans and conservative Democrats. The PROFMCA Group were almost totally responsible for the quote ''the McCurdy Group and company.'' You well know what I am talking abut.

. Q Yes, yes sir.

. A It is my recollection we pretty much had parallel cooperating joint reports. I don't remember one person actually being the king of the group.

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Q Well, how many people participated in the larger group?

A I remember that it was as many as 15 people.

Q And Rich Miller was one of the people who attended those meetings?

A He would attend but I don't recall his ever participating.

Q And Spitz Channell?

A Once or twice. My earlier recollection of meeting Spitz Channell was at such a group.

Q Dan Conrad?

A I don't remember him ever being at one of those.

Q Bruce Cameron?

A Yes, Bruce was there.

Q And what was Bruce's----

A Bruce was the missionary to the Democrats. He was the Democrat that reported on--well, he just had very good intelligence, Bruce did.

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. Q Were you aware that he was being paid by Spitz Channell?

. A No, I was not.

. Q Were you aware that PRODEMCA was receiving money from Spitz Channell?

. A No, I was not.

. Q Was Peter Flaherty involved in these groups?

. A Yes.

. Q And you have already mentioned Bob KAGAN was participating.

. A Yes.

. Q Did Elliott Abrams ever attend any of those meetings?

. A Not in my presence.

. Q Did you ever hear of him attending any of those meetings?

. A Not those meetings. Bob KAGAN was there in his stead. I cannot swear that some time, some place, a meeting took place that I was not there but I think I would have heard it.

. Q Did Oliver North attend any of those meetings?

. A Not that I recall.

. Q Did anyone from the White House attend any of those meetings?

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A There could always have been somebody there from the Office of Public Liaison. That could have been there and I wouldn't even have known who they were so I cannot say there was not a presence there, but there was not an active presence there.

Q Lynn ~~Roucher~~ Boucher participated in 1986?

A Yes.

Q And Sam Dickens?

A Sam Dickens was not a part of this group because, remember, Sam Dickens is not part of any lobbying organization.

Q In late 1985, did you meet or become aware of the involvement of David Fischer and Martin Artiano in the Central American freedom plan?

A No.

Q Did you ever meet David Fischer or--

A I met David Fischer probably for the first time probably in late spring of 1986.

Q What was the occasion?

A I just met him over at IBC.

Q When was the first meeting in 1986 that you recall?

A I think it was the date that you mentioned, the meeting I said I thought was at PRODEMCA. Check back on that date. I believe that is it. You have better accurate records than I have in my mind.

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Q The date is on the record.

A That would have been pretty much the kick off of the 1986--

Q February of 1985.

A 1986.

Q 1986.

Now, did Bob or Adam Goodman ever attend any of those meetings?

A No, sir.

Q Were you aware of the fact that Spitz Channell had retained the Goodman agency to do television ads?

A I became aware of it a little later than that.

Q When did you become aware of it?

A Probably late February or March.

Q Did you discuss with Rich Miller or Spitz Channell the districts in which those ads should be run in order to influence the vote?

A At a later date, yes. I first started my discussion with them on basic semantics and content of their ads the previous year. The coalition had had some serious problems with badly constructed and badly run commercials that actually did more harm than good.

Q These were also run by Spitz Channell?

A No, no. I don't know anything about what Spitz Channell did in 1985. I hadn't met the man. I don't know

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he even existed.

Q Who ran the ads in 1984?

A I can't remember which group it was. I remember specifically that there was a Congressman in Ohio that was turned off so badly I had to go see him. Now, because of that and because of my discussions on that, I was asked strictly as a volunteer to look at some language and some ads to give my opinion of the semantics, which I did.

Q Who asked you to do that?

A Rich Miller asked me to do that for the ads that Goodman was doing for Channell. So I went over story boards and went over actual language for him just sitting there in the office. I said, look--

Q Who was present at that meeting?

A It would have been Channell and Miller and probably one of the Goodmans.

Q And that would have been in--

A This would have been as early as March.

Q Of 1986.

A Right. This was the first time that I had ever had any sort of relationship with any of the Channell organization.

Q Did Channell mention to you how much money they intended to spend on these ads?

A I think he probably did. They were big numbers. I

remember, lots of money being spent on advertising at the time. The earliest advertising I saw, of course, did not mention specific legislation. They were what I would almost call institutional type ads. They mentioned the cause, but there was never mention of a vote and things like that.

But my whole mission with these people was to be sure that they were not counter-productive with the very people I was trying to help sell.

Q Do you remember Spitz Channell holding a press conference in early 1986 indicating that they were going to spend several million dollars to run television ads to try to influence the vote on contra aid?

A Yes, sir.

Q That was prior to the time that you met with him; is that correct?

A That is correct.

Q Did you ever inquire as to what source of funds were for these ads?

A I don't recall.

Q You never said to Rich Miller or Spitz Channell who is going to pay for all this?

A Well, I knew the name the National Endowment for the Preservation and Liberty and they were a fund raising organization. I knew they were running ads. This was not my concern.

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I have never been in the fund-raising business and my main concern from day one was to be sure that the ads did the job that they hoped they would do and not just the opposite.

Q When you discussed with Spitz Channell and Rich Miller and Adam or Bob Goodman the districts in which the ads should be run, did you suggest that these ads be run in the districts where they would have some effect on the vote?

A Certainly.

Q Did you provide them with a list?

A Well, remember everybody in town has got the same undecided list. Remember also that there are certain things that are very obvious that you do and don't do. For instance, there is not a single undecided vote in the L.A. area. Why run ads in the L.A. area?

There hasn't been an undecided vote there for years. So I said you are wasting money to run ads there. Where are the undecided votes? Okay. Can you make a good media buy in those towns? Can you cover that district with any sort of media? If you are going to do this, put it where it is supposed to be done.

Q So you indicated which Congressmen were in that marginal swing area?

A Everybody knew that. I had my undecided list, but Rich Miller also had one he got from somewhere. Everybody

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in town has one, an undecided list. There are no secrets there.

. As I say, the other side uses exactly the same list that--each side uses the same list. So the targetting of individual districts--for instance, when I first started looking at somebody's list they would have Miami in there. I said why in the world are you running an ad in Miami? There is not an undecided vote in the area. Again, this type thing.

. Q Did you review the story boards on the ads that were going to be run against Mike Barnes?

. A No, I did not. I saw them, but I did not review them. I had nothing to do with them.

. Q But you saw the ads?

. A Yes, I saw them.

. Q Were you aware that the choice of Mike Barnes as a target for these ads was related to the fact that he was in the Washington area and that these ads would be seen in effect by all 535 Members of Congress?

. A Yes.

. Q Did you discuss that strategy with Channell and Miller or Goodman?

. A I didn't discuss it. I said it was probably a good idea.

. Q Because you could get them all at one sitting?

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A You could let everybody know what the ads look like. This is a common practice, by the way, in any sort of emotional, philosophical-type issue, to run ads here so everybody can see them.

Q So it was not just Mike Barnes that was targetted. It was the whole Congress and Mike Barnes just happened to be the fellow in the adjacent district who was against contra aid?

A That is exactly correct.

Q So it was an effort to sort of make an example of Mike Barnes in terms of what kind of--

A Not to make an example of Mike Barnes in that sense. Why do people run ads in the Washington Post? Because they want the entire Congress to see the ad, not because they are targetting six Congressmen in this area. Because they want the entire Congress to see the ad. A full-page ad in the Washington Post is run for exactly the same reason.

Q So you are aware that they were running the Mike Barnes ad to have an impact on the whole Congress.

A Right.

Q And that they selected 10, 11 other Congressmen in particular districts to have the ads run who were in effect swing votes.

A Yes.

Q And that list was agreed upon by you and Rich Miller and Channell and Goodman?

A There were two different, entirely different story boards for those ads. I considered the Mike Barnes ad--and this was my advice to them--as being counterproductive other than right here. My advice to them was don't run that ad against any Congressman if you ever expect to get his vote because you won't.

That was my advice. By the way, they did not take my advice on some of those and they did not get a single vote where they ran that ad.

Now, there was a different type ad which did not have the strong language, did not have the heavy language that was run in some districts that, if you can judge by the vote, proved to be productive.

Q A different kind of ad?

A Yes. It named the Congressman but it was not something to raise the emotion.

Q Was this the ad that said we are in search of two votes?

A No, no. That was in 1985.

Q That was the 1985 vote.

A I know nothing about what they did in 1985. I know zero. I didn't know they even ran ads in 1985. I heard that much later.

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Q Was there a discussion in addition to the television campaign of other campaign style activities that were designed to influence the vote?

A No.

Q Do you know a man named Jack Lichenstein?

A I have met Jack Lichenstein. He came to my office once, maybe twice, with a program that I never considered even looking at.

Q What was the program?

A Sir, it was very easy to forget.

Q Was it a direct-mail program?

A I don't think so.

Q Was it a grass-roots organizing program?

A Not in the sense that I consider grass roots. I simply don't remember the details of his program. I remember I was not interested enough in it to ever take part in it or even advise him on it. I don't remember that his program, if I may be so presumptuous, was worth my attention.

Q What about Edie Fraser? Were you aware of Edie Fraser's activities a part of this effort in 1986?

A No.

Q Do you know Steve Cook?

A No.

Q I would like to enter this as Exhibit number 3 and

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ask you to mark this exhibit and ask you to look at this letter, which is from Spitz Channell to Rich Miller, dated April 15, 1986.

[Exhibit No. 3 was marked for identification.]

BY MR. OLIVER:

Q Have you had a chance to examine this letter?

A Yes. Certainly I have never seen the letter before. My impression is--

Q My question is that letter indicates that there was some kind of financial arrangement between Spitz Channell and the people who are listed on page 2 and there seems to be an instruction from Channell to Miller to tell these people, these subcontractors, that there will be no more financial assistance forthcoming because the vote will have taken place on this particular day.

My question to you is had you been receiving or had you received any financial assistance from Rich Miller or Spitz Channell during that period of time?

A No. You will notice that this really is a two-part letter. He says, please convey my sincere thanks to everyone. I had given the story board advice earlier and the first actually contract that I ever had with any Channell organization was not until June. I received a payment of $5,000 from Sentinel voluntarily. They called and asked us to bill them and I specifically asked that it

be done through Sentinel because even any presumption of possible lobbying with the money. That was their lobbying organization, but that was without a contract and that was not until June.

. Q The letter says, ''please call the following business and individuals and notify them that the program has ended and restate that all financial arrangements between the National Endowment for the Preservation of Liberty and them are terminated as of tonight.''

. A We had no financial arrangements.

. Q Do you know of the financial arrangements that any of the other individuals on this list had?

. A Let me see the list.

. Q --with the National Endowment for the Preservation of Liberty or the National American Trust?

. A I don't know who Artiano and Cook are. At that time I knew nothing about David Fischer. I know who Edie Fraser is. I never knew he had a relationship with Edie Fraser. I know who Bob and Adam Goodman are. I knew Jack Lichenstein. I never knew he had a relationship with him or Penn Kemble or the UMO office until it was revealed in the hearings.

. Q Your testimony was you had no financial arrangement with Spitz Channell until June of 1986?

. A Arrangement two different times, once with Gulf and

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Caribbean and one with me direct. They called and said we want to make a contribution after the fact of services already rendered without any discussion whatsoever that I was going to get paid for it.

. They called me up somewhere around like April and said we want to make a contribution to the cause. Do you want it to come to you or do you want it to come to Gulf and Caribbean?

. I said send it to Gulf and Caribbean. They need the money, which they did. It went from 501(c)(3) group to another. This was some time in the spring of 1985.

. I don't remember the exact date. At that time the only thing we had done was give advice on things like the story boards. Now, because of my presence on the Hill on the issue, I just felt like that I better be squeaky clean and get some lobbying money from them if they were going to give us money. So they offered to give us, to pay us some more money.

. I said let's call it lobbying. I will register to lobby for your lobbying organization, Sentinel. They gave us $5,000.

. After the vote was over, for the first time ever I had a one-to-one meeting with Spitz Channel; we met and discussed a personal consulting arrangement between Spitz Channell and me which we completed and it was simply a

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political consulting arrangement between Spitz Channell and me which took place some time around June.

Q And there was a contract?

A Right, there was a contract. In late fall or early winter that contract was expanded.

MR. OLIVER: I would like to have this document entered as exhibit 4 and ask you to look at that. Would you please let the reporter mark the exhibit.

[Exhibit No. 4 was marked for identification.]

THE WITNESS: That is the June contract. Now, that was after the vote, totally after the vote on contra aid took place.

BY MR. OLIVER:

Q For the record, this exhibit 4 is a memorandum to Spitz Channel for the National Endowment for the Preservation of Liberty from Dan Kuykendall, re: confirmation of consulting arrangements between Spitz Channel and Dan Kuykendall dated June 10, 1986, signed by Carl Russell Channell and Dan Kuykendall. Were you aware at the time that the National Endowment for the Preservation of Liberty was a 501(c)(3) organization?

A Yes.

Q And did you feel that it was proper for a lobbying company such as yours to have a contract with a 501(c)(3) for political consulting?

A Sir, 75 percent of my business is done on consulting, not lobbying. I am a consulting as well as a lobbying firm. This is not for lobbying. Later on in the year when lobbying began I specifically asked that money that came to me come from Sentinel and it is a matter of record. I took the initiative each ~~time~~ Time that I thought it was appropriate.

Q What kind of consulting did you do based on this particular contract for the National Endowment for the Preservation of Liberty?

A This was at the beginning of a planned SDI program. I think the very first thing we did on this program was sit down and go over with Finkelstein the make-up of the poll, a very great, in-depth survey that they ran for SDI, which proved to be a very fine document that Finkelstein ran. I helped him put that together.

I helped him select I think 36 congressional districts that I thought would be typical of the entire United States to give a true picture of the entire Nation with 36 districts.

I helped him select those. Now, counsel, that is what I consider to be consulting. The selection of these districts had nothing to do with lobbying.

It had to do with their feel on an issue to get a good picture of the Nation.

So the first project that we got into--remember, the contra issue had gone by then. It was over with as far as we were concerned., and for the next three months our entire attention was on SDI.

MR. OLIVER: I would like to enter this document dated May 5th, 1986 as Exhibit number 5.

[Exhibit no. 5 was marked for identification.]

BY MR. OLIVER:

Q This is a letter dated May 5, 1986 from Dan Kuykendall to Mr. Dan Conrad regarding an agreement for consulting, research and resource information from the Gulf and Caribbean Foundation. I would like to ask you to examine that.

A This was the first agreement that we made until I decided that it was not proper and I changed this request to Sentinel from the Kuykendall Company and that is the way it came out and that is a matter of record.

Q You received a $5,000 contribution?

A Gulf and Caribbean did not receive it and it did not come from the National Endowment. It came to the Kuykendall Company from Sentinel.

Q A $5,000 check was given to you?

A Yes.

Q And your letter says this sum covers our advisory and consulting contribution to the contra aid effort for the

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remainder of 1986.

A That is right. I reviewed that, decided it was not proper, decided I didn't want to do it that way and I asked for a different approach.

MR. COSTON: For the record, we provided a document dated June 2, 1986, which was an invoice that superseded the document you just identified.

MR. OLIVER: Thank you, counsel.

I would like to enter as exhibit number 6, this is a memorandum to Spitz Channel from Dan KuyKendall dated June 10, 1986. It contains a monthly budget for the Gulf and Caribbean Foundation.

[Exhibit no. 6 was marked for identification.]

BY MR. OLIVER:

Q I would like you to look at that document and tell me what that was all about. I ask you to tell me what that was about.

A Spitz Channel at one time had requested me to see if there was any possibility of his having a relationship with the ~~actual~~ acquisition of Gulf and Caribbean Foundation. He asked me for a budget of the Gulf and Caribbean Foundation, which I gave to him. Shortly after this he approached me about the idea of virtually--and I say ''virtually'' because we never allowed it to go far enough to know what it really meant--acquiring the Gulf and Caribbean Foundation.

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. He wanted our list of members for one thing. We turned him down completely and did not even consider any sort of merger, formal or informal. So this went no further and was not even considered by the board.

. Q You indicated that your agreement with the National Endowment for the Preservation of Liberty was expanded in the late fall or early winter of 1986.

. A It was not early winter. I think it was late fall.

. Q What was the purpose of the expansion of that agreement?

. A He wanted more of my time.

. Q In December of 1986?

. A Earlier than that. I think it was.

. MR. OLIVER: I would like to ask the reporter to mark this as Exhibit number 7 and indicate for the record that this is a communication from the Kuykendall Company to Mr. Spitz Channell dated December 22, 1986, for a fee due for services rendered for December 1986, in the amount of $12,000 and ask you to look at that document.

. [Exhibit no. 7a was marked for identification.]

. THE WITNESS: That is correct.

. BY MR. OLIVER:

. Q What were the services that you rendered to the National Endowment for the Preservation of Liberty in December of 1986?

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. A You have somewhere in your records, I assume, a contractual breakdown on our array of services itemized. Now that list would--here it is.

. Counsel, would you like to review this yourself?

. MR. OLIVER: Let the record indicate that Mr. Kuykendall has supplied us with a document which I would like to have marked as Exhibit number 8.

. MR. COSTON: You have a copy of this.

. MR. OLIVER: Maybe I have a copy. Let's see if I can find one here.

. MR. COSTON: Let's go off the record.

. I would like to have this marked as Exhibit number 8.

. MR. COSTON: For the record, the last one was Exhibit 8; is that correct?

. Could we have this one marked 7b so the two exhibits are considered together, 7a and 7b rather than 7 and 8?

. MR. OLIVER: That is fine.

. [Exhibit no. 7b was marked for identification.]

. MR. OLIVER: The document which was dated March 6, 1987, is termed the final arrangement between the Kuykendall Company, Dan Kuykendall, and Spitz Channell and his various organizations.

. THE WITNESS: That is the same arrangement that we

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had arrived at virtually and maybe nothing but a verbal agreement as early as around December 1.

BY MR. OLIVER:

Q I would like to ask you, Mr. Kuykendall, why that arrangement was not put in writing until March the 6, 1987?

A Sir, I think that arrangement is in writing in other documents. I believe you have this in other documents. This was a refinement of it, but I think we have that in other documents.

Q Why was a refinement made in March of 1987?

A I don't remember why it was rewritten at that time. My recollection is that his counsel asked for it because there was an arrangement on record with exactly the same amounts of money.

Q Was this the amount of money that had been paid to you by the Spitz Channell organization?

A Yes. Since I believe there was a November figure at that level. I am not certain. But now sometimes we got more than one check from the Channell organization, depending on whether I felt like that I was exposed to lobbying restrictions during that period.

If I felt like I had done anything that could be construed under the law as lobbying during the ~~money~~ month, I would ask them for a separate check from Sentinel.

Q When did this arrangement, what period of time did

this arrangement cover?

A The $12,000 a month arrangement with various configurations of the $12,000 lasted for approximately six months.

Q Beginning when?

A Beginning either November 1st or December 1st.

Q 1986?

A 1986. The $3500 a month figure preceded that up to that time.

Q Did you receive monthly fees of $12,000 in November, December of 1986, January, February and March of 1987?

A Well, the checks were seldom just for $12,000. They were sometimes I would get a check for half that from Sentinel. Sometimes I would get no money form Sentinel.

So the $12,000 total was the same, counsel, each month. Who it came from varied according to my instructions based on whether or not I determined that I had done anything that could be construed as lobbying under the House rules.

Q How much money did you receive from the Channell organization based on this arrangement total?

Under the total life of it figure--

A Have you got something to write with? Write this down and add it up. You have got a law degree, not a math

degree.

. Q I am willing to do anything to move this along.

. A Do four months at $3500 and eight months at 12,000. That ought to be it.

. Q That is $110,000.

. A That is about right.

. Q You received $110,000 from the various Channell organizations?

. A Correct.

. Q Beginning in November of 1986?

. A No. Beginning June.

. Q June of 1986.

. A With that first contract you saw?

. Q And running through when? When did you receive your last payment?

. A We terminated I think May.

. Q May of this year?

. A Yes. Now, let me remind you that this was not a normal consulting arrangement in the fact that I billed in arrears. I normally bill in advance for consulting. In this particular client, I billed in arrears instead of in advance.

. It is the only client I have ever had that I did that, but I did this.

. Q You billed in arrears for what period of time?

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A The whole time.

Q Beginning in June of 1986 until May of 1987?

A Correct.

Q And could you break down how much money you got from each of these different entities? How much came from Sentinel, how much came from MEPL and whether any came from any of the other Channell organizations?

A Counsel, if you wished us to do a separate accounting on that, I can furnish it for you. I can't do it at the time.

MR. COSTON: Let me make a couple of record observations first. You had asked first for the prior agreement. We have located a document turned over to you dated November 7, 8, document CH05474, which is the $12,000 retainer and should be in your pile of material.

And, second, as far as a breakdown of Sentinel versus MEPL payment we have already provided documents showing bank receipts from June of 1986 through April of 1987 that break down the MEPL contribution and the Sentinel contribution and that breakdown is found on the deposit slips.

MR. OLIVER: Could we go off the record for just a minute?

[Discussion off the record.]

MR. OLIVER: Back on the record now, I would like

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this set of documents marked as Exhibit number 8. Let the record indicate this series of documents contains details of the arrangements between the KuyKendall Company and KuyKendall and Spitz Channell and his various organizations, a letter dated September 29, 1986, to Spitz from Dan KuyKendall related to the SDI initiative, a letter dated September 15, 1986, to Spitz Channel from Dan KuyKendall also related to the SDI initiative, a letter dated July 23, 1986 from Dan KuyKendall to Spitz Channell related to the effort in the spring of 1985 to obtain military aid to the contras, and the effort in 1986 to obtain military aid to the contras. It also contains another copy of the June 10, 1986 memorandum which was marked as an earlier exhibit.

[Exhibit no. 8 was marked for identification.]

BY MR. OLIVER:

Q May I ask you, Mr. KuyKendall, to tell us what you did for Spitz Channell that was not related to the legislative efforts to obtain aid for the contras or support for the SDI program?

A When you are considered a consultant on a personal basis with Spitz Channell that means literally you are on call all the time. The first time Spitz Channell ever asked me to consider being a consultant to him, I specifically said what do you expect of me? He said I want the right to talk to you and ask your advice on issues constantly; and

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that is literally what it amounted to, day and night, seven days a week, a phone call saying can we meet or what do you think of this particular approach to public relations, what do you think of this particular approach to an idea, what do you think about this particular approach to a newspaper or television program.

. I never took part in actually ~~evaluating~~ Composing the material. He would invariably consult me. He considered me a pure consultant on my opinions on virtually everything he did that had to do with these programs in the sense of the response that I thought that he could cause with the Congress in the sense of is it good language, is it bad language. Do I think it will be productive or counterproductive and this type thing.

. But we went into great depth in many cases of programs that most of them never surfaced. Most of them never became a program. But when he said a personal consulting contract that is what it really meant, just that.

. Now, when the time came to expand upon it, we get into the area of legislative status reports. We get into the area of information retrieval and certainly you gentlemen know what that means in the sense here, the normal services given by a full service consulting firm. If they wanted to call up and say what is the status of such and such a bill, where is it, can you get us the record on the

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debate on such and such sometimes months or years ago. obviously we know how to do that. That is why the separation of these particular things here. The only part of this that I felt like must of course be very meticulously adhered to in the sense we must always have enough money to cover it is lobbying because the mix of the rest of it is irrelevant if you are giving a total service but the lobbying is the only one that is covered by law and it is the only one that is covered by a statute or legislation inside the House of Representatives.

So the only one you know we varied from month to month is when I felt like that I could even possibly be criticized for not having done that money with lobbying money.

Q Did you bill Mr. Channell on a monthly basis?

A Not on that. I don't bill anyone on an hourly basis.

Q How did you communicate to him what account you wished to be paid from?

A Well, the only account I ever designated was Sentinel because the rest of it is irrelevant to me because the rest of it could have come from any one of the accounts. I didn't really care as long as it was not lobbying because everything else I did was straight consulting or things like information retrieval and this type thing was the services

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of an normal consulting firm. The only thing I felt like that I was concerned about and legally bound to be meticulous about was lobbying. For that reason, I separated out lobbying money on any month that I had done anything that could be construed with any definition of lobbying.

. Q Mr. KuyKendall, in being meticulous in order to avoid taking money from the wrong pot--

. A Right.

. Q --did you maintain records of this separation of activities, lobbying and consulting?

. A Remember, redundancy is okay. In other words, if I collect too much money for lobbying, there is nothing wrong with that. As long a I am under a lid for the entire organization for the month. I knew any money I had been this active or this active or this active, a little bit, medium or a whole lot, and I simply used a matter of judgment to be sure it was covered.

. My normal billing, if I were working by the hour, would probably be around $100 to $125 an hour. I just was certain that anybody checking back on me would find that I had collected enough money to cover my activities regardless of what they were. So, no, I didn't keep books.

. I was always redundant because I was on an agreed-upon total and everything I billed had to be within that total. So that was not important.

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Q But you didn't bill on a monthly basis.

A Yes, I billed on a monthly basis.

Q You did bill on a monthly basis?

A Oh, yes. Yes.

Q Did you bill separate organizations, one time you would bill Sentinel, another time you would bill National Endowment for the Preservation of Liberty?

A Yes. No, no. I called the bookkeeper at the end of every month.

Q Who was the bookkeeper?

A Dan Conrad, and told him how I wanted the checks issued.

Q Were the checks issued sometimes, would there be two checks, one from Sentinel--

A Yes. Many times. It is all in there. I suppose half the time I got two checks.

Q Well, if a check came from NEPL in 1986 that was related to lobbying, how did you deal with that knowing that they were a 501(c)(3)?

A I did not get any checks from NEPL relating to lobbying in 1986. I was careful not to do that.

Q On July 23, 1986, there was a letter to Spitz Channell, attention to Steven McMann, a consulting fee for July of 1986, and in the amount of $3800 and then there is a note saying that charges for mailgrams will appear on the

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August bill. What were the mailgrams that were referred to in that letter?

A Those were invitations to a reception.

Q For?

A The celebration of the victory in June.

Q Wouldn't you consider that as related to lobbying?

A That was a reimbursement for expenses. I didn't get any money. That was not my money. That was instructions from Spitz Channell for me to ask if I would send the mailgram and I sent them and billed him for it.

And, by the way, it was after the fact on a piece of legislation anyway. The legislation was over with. So I am giving you two separate answers here. I think either one of them are adequate. In the first place, you can't lobby an issue that is already passed.

Q But you can be billed in arrears?

A No, no. This was for an event that took place well after the vote.

Q To celebrate the victory?

A Right.

Q You don't consider that part of the lobbying effort?

A No, sir. That is my first answer.

The second answer that was a reimbursement for money I had spent.

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Q When did you receive your first check from Sentinel?

A Around June 5th or something like that of 1986. That is a pretty good guess. It was June 5th, 1986.

Q The checks that you received from MEPL were not related in any way to that lobbying effort? Is that your testimony?

A No.

Q Could I ask you other than the charges related to the prosthesis matter that we talked about earlier, you received no other checks from I.C. Inc.?

A It would have had to be a correction of a bookkeeping error or something like that which I am assuming you are not covering. Never would I.C. have had any reason to pay us any money and never did they pay us any money.

Q Our records indicate that in 1986 the KuyKendall Company received $20,113 from MEPL. The Gulf and Caribbean Foundation received $10,000 from MEPL.

A I told you that was a contribution.

Q That was a contribution?

A To Gulf and Caribbean from MEPL that was made in 1986 as a voluntary contribution.

Q What was the purpose of it?

A Remember my going over with you, counsel, earlier, that I had been asked to give them some services on

consulting on their story boards and everything which I did, voluntary with no bill and no remuneration. Somewhat later, I don't remember the dates that you have there, we received a phone call. We wish to compensate you for services for what I had previously done. They said who do you want it to go to.

. Q Who did you receive a phone call form?

. A I think Dan Conrad. I am not certain, but that is probably who it was. He said who, and I said make the check out to Gulf and Caribbean.

. Q There was no written solicitation of a contribution?

. A No, sir.

. Q Was there an indication on the check that it was a contribution?

. A I don't remember.

. Q Your checks from Sentinel in 1986 were dated--this is to Kuykendall, dated July 21, September the 10th and December the 12th, 1986, in the amounts of $3500, $1803 and $6000 respectively for a total of $11,303, according to our records.

. A From Sentinel.

. Q From Sentinel. Sentinel was the lobbying organization; is that correct?

. A Right. Correct.

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. Q What were you lobbying on between July 21, 1986, and December the 12th, 1986?

. A I visited with various Members of Congress to discuss the SDI program. If someone had been watching me or listening to me, they could have construed that as lobbying because there was possible SDI legislation coming up.

. Q Was there any SDI legislation pending during that period?

. A It never did come up. Some votes that would have possibly taken place never took place. I don't remember specifically what it was, but there was a continuing resolution that there was going to be some SDI money in it. It didn't ever happen.

. Q Do you remember any particular Congressman you talked to about SDI?

. A Sure. But I was on the Hill and I was active. This is a matter of my own conscious and my own sense of the legal, and if I wished to be redundant on that, that is a hell of a lot better than being deficient.

. Q Did you register as a lobbyist for Sentinel at the time that you received or prior to the time you received payments?

. A Shortly after. I registered as lobbyist for Sentinel, I believe, in January.

. Q Of?

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. A Of 1987. I think it was the first quarter after. I am not sure.

. Q You first payment was in July of 1986?

. A I registered to register to lobby for them a little bit later.

. Q And your second payment was in September?

. A Right.

. Q Those were both in the third quarter?

. A Yes.

. Q You did not register until the first quarter of the following year?

. A That is correct.

. Q Did you register as a lobbyist for any of the activities that you were involved in on the contra aid vote?

. A Well, I was registered to lobby for the KuyKendall Company, that is me. I was registered to lobby for the KuyKendall Company on [redacted] National Security.

. You will see KuyKendall Company has Dan KuyKendall listed as a lobbyist and even if it is my own company, I registered to lobby for that in other issues, too.

. Q But you did not lobby for contra aid. You did not register as representing any other organization, even at this time or individual or other than the KuyKendall Company during the period of time in 1986 that you were lobbying for contra aid.

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. A I registered to lobby for the Gulf and Caribbean, but as far as actual physical lobbying is concerned, in 1986 would have been the only period that I could have been under them because I drew no money from Gulf and Caribbean until the first of June or July of 1985. That was after the 1985 program was over.

. So I registered to lobby for Gulf and Caribbean back in 1985.

. I routinely register to lobby for all my clients, whether I lobby or not. For instance, I represented the Shove Machine Voting Company. I never went on the Hill, but I registered for them.

. Q You were registered to lobby for the Gulf and Caribbean in 1985 and 1986?

. A Right. My partner those. That is the reason I have to look at them.

. Q Isn't the Gulf and Caribbean Foundation a 501(c)(3)?

. A Yes.

. Q Aren't 501(c)(3) organizations prohibited from lobbying?

. A No, they are not.

. Q What were you lobbying for on behalf of the Gulf and Caribbean Foundation?

. A As far as I know, I did no legal lobbying for the

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Gulf And Caribbean Foundation. But I could have spent ten percent of their total gross for lobbying under the regulation.

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. Q But you didn't?

. A I did not. But I could have.

. Q You were registered as a lobbyist but didn't.

. A Yes.

. Q You were not registered to lobby for any of the activities related to the contra aid vote in 1986?

. A Yes, I was for Gulf and Caribbean Foundation and I was registered to lobby--and I could have, but did not, but I was registered to lobby for the Kuykendall Company.

. Q But the Gulf and Caribbean Foundation is a 501 C 3 and is it your statement they are permitted to lobby for contra aid as a 501 C 3?

. A Yes, sir. The ACKLE political hearings clearly spell that out.

. Q What is the stated purpose in the charter of the Gulf and Caribbean Foundation of that corporation?

. A Education.

. Q On what subject?

. A Matters of national security. I can't--I'm not certain.

. Q Did you report any expenditures during that period of time related to lobbying on behalf of the Gulf and

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Caribbean Foundation?

. A No. As far as I was concerned, I did nothing that would be considered as lobbying for the Gulf and Caribbean Foundation.

. Q So my question again is, then you did not report any expenditures or register to lobby on behalf of contra aid in 1986; is that correct?

. A That's right for the Gulf and Caribbean Foundation. I registered for the Kuykendall Company.

. Q Was the Kuykendall Company reimbursed for lobbying in 1986?

. A No. I own the Kuykendall Company. I could have just as well done it as a private citizen and not registered at all.

. Q Did you report any expenditures by the Kuykendall Company on behalf of lobbying for contra aid?

. A I would have to look at my records. I don't know. I'm a sole owner of the company, so and it's not a corporation. It's an individual ownership.

. Q I would like to ask you, if I might, about the differences in the amounts of these checks and why they differed from time to time. The first check from NEPL to the Kuykendall Company was for $5,000 and you have testified that it was for general consulting for Spitz Channell; is that correct.

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. A The first check?

. Q In June of 1986.

. A It was from Sentinel for $5,000. You are looking at the bills, not the checks. That's the bill I told you I changed entirely.

. Q Originally you received a check from NEPL?

. A I never received the check. I changed the entire billing.

. Q Your testimony is that that $5,000 check was from Sentinel and not from NEPL and that was for lobbying?

. A Right.

. Q In June of 1986 you received that check. You were lobbying at that time on behalf of contra aid for Sentinel?

. A I had previously--remember this was all retroactive billing, okay? This was retroactive. I had previously done some things that, depending on whose definition of lobbying you use, and as you know, sir, there are several around, that could have been construed as active lobbying. For that reason, I asked that that check come from Sentinel.

. Q Did it originally come from NEPL?

. A No, it did not.

. Q It originally came from Sentinel. That was one check.

. A That is correct.

. Q That was for lobbying for a period of covering what

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period of time? You said it was retroactive.

. A Advice for consulting everyone and resource information. That was what I put in the Gulf and Caribbean thing.

. Q I'm talking now about the $5,000 check.

. A Right.

. Q Wasn't that check to the Kuykendall Company or to the Gulf and Caribbean?

. A That check went to the Kuykendall Company from Sentinel.

. Q For lobbying.

. A For lobbying.

. Q On behalf of contra aid.

. A Yes. That was all--

. Q For what period of time was that, did that check cover you lobbying activity?

. A We had no contract. This was an offer from the Channell organization to pay my company for services that I had given them voluntarily of $5,000. They voluntarily offered to give us that much money for services previously rendered.

. Q So previously rendered would go back to beginning February 1986 period?

. A Whatever, yes. So I then determined after having changed my mind that I should get that check from Sentinel.

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. Q So this check covered lobbying for the first half of 1986?

. A Not formally, no.

. Q For what period of time?

. A There was no period.

. Q The check was received in June of 1986.

. A Right.

. Q That was the second quarter.

. A Counsel let me make something clear here. I could as easily have gotten no check at all. This was voluntary, all right? If I got a check at all from them, than I ceased to be voluntary and, for that reason, I got it from their lobbying company.

. Q I understand. My question, what's confused me here Mr. Kuykendall--

. A I have no billing, I have no records, I have no books. I thought the most honest and straightforward way to take it was to take it for lobbying instead of the possible charge that I might have done some lobbying and not gotten it--and have gotten it from the other organization.

. Q I understand that concern. My question is, if that was your concern at the time, why did you not register as a lobbyist on behalf of Sentinel until the following year?

. A It was an oversight. ~~It was an oversight.~~

. Q And the same thing would apply to all the checks

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from Sentinel in 1986. All the reimbursements.

. A Right. But the checks that were received from Sentinel do not in anyway say that that much time on a billing basis was used for lobbying.

[Recess for lunch at 1:30 p.m.]

BY MR. OLIVER:

. Q Mr. Kuykendall, we were talking earlier about the money that you received from Spitz Channell's entities in 1986.

. A Yes.

. Q You had indicated earlier, and I just want to be sure that I have this absolutely straight, you received a check from NEPL for $10,000 in March of 1986?

. A Gulf and Caribbean did.

. Q And you sent the check back in December of 1986.

. A Right. Right.

. Q Why did you wait so long to do that?

. A In the first place let me remind you, let me give you a little preface and answer your question. Remember I had a choice where the check went in the first place. They asked me, do you want it to go direct or do you want it to go to Gulf and Caribbean. The 15th of December or thereabouts, our attorney called us and said you are a few dollars over on the allowable on major contributions on your 501 C 3 status, okay?

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3584 . Q I'm not clear about that. Is there a limit on--
3585 . A Yes. There's a formula which, by the way, had
3586 changed and we didn't know it.
3587 MR. COSTON: You are not a lawyer, so you shouldn't
3588 offer a legal opinion. There isn't a limit. There is a
3589 difference between a private foundation and a public
3590 foundation. It turns in part on how many tax contributors
3591 you have and you should not disclose the advice of
3592 counsel--and it wasn't me, by the way--but you can indicate
3593 why the check was returned without getting into the detailed
3594 advice of counsel.
3595 THE WITNESS: All right. So I simply returned the
3596 check and got a--let me get the order of things. I returned
3597 the check and after--immediately they wrote checks to myself
3598 and two of my employees for the same amount of money exactly
3599 which we accepted as ordinary income and in turn, gave it
3600 back to Gulf and Caribbean.
3601 BY MR. OLIVER:
3602 . Q Where did the checks come from to your employees?
3603 . A MEPL.
3604 . Q So MEPL wrote checks to you and to--
3605 . A And to two other people totalling $10,000.
3606 . Q That was to Ric Marino.
3607 . A And Elizabeth Powell and Dan Kuykendall. We were
3608 simply, in the spirit of the original intent of the

contribution, taking away what would have been a artificial major contribution to be sure that we were under the percentage allowed, and it is not an official percentage. It's kind of an administrative percentage. This happened in the last five days of the year of just adjusting that.

. Q Contribution in March from NEPL to Gulf and Caribbean Foundation was not related in anyway to the lobbying activities?

. A No, sir. Remember that was when I told you they called us and said you have been a help to us and talking to us about all this media, and giving advice and so forth. We want to make a contribution. Do you want it to come to your company or do you want it to come to Gulf and Caribbean?

. I had no idea at all at that time that this other thing might have been a problem with the percentage of major contributors. If I had known that, I would not have taken it in the first place and I didn't learn that until about late December that that was a mistake to have taken it.

. Q Did they believe or did they ever lead you to believe at any time that they thought it was related in some way to the services that you had rendered on behalf of contra aid?

. A Again counsel, let's all understand that our only reason for being on the Hill, and their only reason for even existing at that moment, was contra aid, because that was

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the only issue before us. The question is not whether we were trying to push contra aid. The question is whether we were legally lobbying. Goodness sake, let's remember here that the United States House of Representatives voted for contra aid, a majority of their vote for contra aid, and we have to assume every one of them made an intelligent decision based on his own information, and to go talk to a person helped or to go through grassroots and try to twist him, is my definition of lobbying.

But to--for your information that does not either refer to a piece of legislation or a member of Congress or tell him how to vote, I don't consider that lobbying. So, in the sense of what NEPL and I did together, we do not consider it was lobbying before the $10,000. See this was before any directed advertising had been done.

Q If I may, I would like to submit two documents and have them marked as exhibits 9 and 10.

[KuyKendall Deposition Exhibits 9 and 10 marked for identification.]

BY MR. OLIVER:

Q These exhibits are a bank statement from the Gulf and Caribbean Foundation on Republic Bank, Dallas, Texas, dated March 31st, 1986, and an accompanying letter, March 12th, 1986 to Dan Conrad from Dan KuyKendall related to a $10,000 contribution to the Gulf and Caribbean Foundation.

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The second exhibit is a check from the Gulf and Caribbean Foundation dated 29th of December, 1986 for $10,000 and a deposit in the Palmer National Bank is reflected on the back.

I show you this letter, Mr. Kuykendall, and ask you to look at it. I would like to read the notation on the bottom of the page that says, "This sum covers our advisory and consultation contribution to the contra aid effort for the remainder of 1986." My question to you is, what does that notation mean and is that in your handwriting?

A No, that's not my handwriting ~~and~~, that's not my handwriting.

Q Do you know whose handwriting it is?

A I think it's Elizabeth Powell's. After the contribution was made to us, for their records Dan Conrad asked me to write this letter in the area of consulting, research, and resource work, which is what I did. What it very carefully Delineates ~~deliberates~~ is it is not lobbying.

Q What was the contra aid effort in 1986 that was not related to lobbying that you were involved in?

A All of the NEPL institutional type advertising that does not qualify as lobbying is where I lead them. This is all that we got into up to this date. The lobbying ads were run later.

Q In 1986 the contra aid effort was primarily

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3684 directed at the votes which took place in Congress; isn't
3685 that correct?
3686 . A Counsel, I really wish you had read the testimony
3687 from the Pickle hearings. I'm sincere about this.
3688 . Q I will certainly go back and take a look at them
3689 after this deposition.
3690 . A Please do. Because for something to be lobbying,
3691 there has to be a direct appeal for a vote on a given piece
3692 of legislation. There was no appeal for a vote on a given
3693 piece of legislation on any of the NEPL advertising.
3694 . Q This contribution was in March of 1986.
3695 . A Right.
3696 . Q Prior to that time that any ads were run.
3697 . A They were institutional ads that had been going on
3698 for six months.
3699 . Q Related to contra aid?
3700 . A Yes. Aiding to contras may be Delivered from
3701 contra aid.
3702 . Q I understand that but I had thought that in our
3703 earlier discussion that you had indicated that these meeting
3704 related to contra aid started in January or early February
3705 of 1986, and that your discussions with Richard Millar and
3706 Goodman and Channell came in March of 1986.
3707 . A The observation and discussion of the advertisement
3708 that had been previously run, they broke off somewhere

around, I would say, the 15th of of March, thereabouts, and started running directed advertising. In other words, they broke off and went from NEPL to the Sentinel on actually who paid for the ads. This is clear in here that at that time it broke off.

. Remember my telling you that in retrospect--and everything on here is done in retrospect--that that's the reason I asked for that Sentinel check was because there was a point there that they started running lobbying ads. And even though all I did was advise them, it could have been construed as lobbying on my part, and I chose to construe it as possibly lobbying on my part, and that's the reason I asked for the Sentinel check.

. Q Which you received in June of 1986?

. A Right. Remember everything I did for them was previous, I mean, was billing after the fact. Even later, that's the way it operated. At this time there wasn't any billing to it because they volunteered in each case. But my pattern throughout with them was knowing after the fact whether I did lobbying or not.

. Q This letter is to be considered an invoice at your request, the text of it.

. A They asked me for it, for their records.

. Q But it is your testimony that it is not related to the contra aid lobbying effort in 1986?

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A The $10,000 is not related to contra aid lobbying. The $5,000, yes. That's the reason I separated them.

Q I would like at this time if I may, Mr. Kuykendall, to ask you some questions about one of the great puzzles of our time and I would like to mark this as exhibit 11 and ask the reporter to mark it.

[Kuykendall Deposition Exhibit 11 marked for idenification.]

BY MR. OLIVER:

Q I would like to identify exhibit 11 as the chart with various boxes and designations that was found in Oliver North's safe by the Tower Commission and published as part of the Tower Commission report.

I would like you to look at that chart, Mr. Kuykendall, if you would.

Q You have a copy in front of you?

A Yes.

A Would you just like to ask me questions about it? I know so little about the total chart I would remember, if possible, if you would simply question me about the chart.

Q Very well. Mr. Kuykendall, on the top line of that chart I which contains six boxes there is a fourth box from the left which indicates G and C Foundation. Is that Gulf and Caribbean Foundation.

A I would assume it is, sir.

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Q And why would that be on Oliver North's chart?

A First, you would know it has no lines leading to or from it in any way.

MR. COSTON: Let me just interject something. I assume you do not want Mr. KuyKendall to speculate and you are asking him for factual knowledge. The purpose of this inquiry is to gather facts, not to gather speculation. Is that a fair assumption?

MR. OLIVER: That certainly is a fair assumption.

MR. COSTON: Your question is what does he know about the chart and does he know why it was prepared. I think that's a good place to start.

MR. OLIVER: That was my question.

BY MR. OLIVER:

A I do not know about the chart. I do not know why it was prepared.

Q May I ask you about some of the other organizations on here. Going across from left to right, the first organization is MEPL.

A Right.

Q You are familiar with that organization.

A Yes, sir, I am.

Q Were you familiar with any of the activities that MEPL was engaged in other than those that were directly related to the Gulf and Caribbean Foundation, the KuyKendall

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Company, and to you personally?

A The answer first, sir, is no and at this time I knew nothing about any of those organizations.

Q Did you know that MIPL was paying substantial amounts of money to IBC, to Richard Miller and Frank Gomez?

A At a much later date, yes.

Q You did not know it at the time that IBC was on retainer to your company?

A Oh, certainly not.

Q Richard Miller or Frank Gomez never told you of their relationship with Spitz Channell?

A No, sir. I knew they had a relationship. I did not know to what extent it was. I knew that they had a relationship but it was strictly a public relations relationship working with Goodman on advertising and things like that. That's the only relationship I was aware of.

Q Were you aware of the next organization on that top line, which is ACT, which I assume it the American Conservative Trust. Were you familiar with them?

A At that time, no. I later found out it was a [redacted].

Q When did you find that out?

A When I got that book.

MR. COSTON: Which is when, about November of 80--

THE WITNESS: This book, I got it in February of 1987.

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BY MR. OLIVER:

. Q This is the book that was prepared for you by Spitz Channell?

. A Right.

. Q --In early 1987?

. A Right.

. Q The next box on there is the Institute for North South Issues, I assume. It looks like NC. Were you familiar with that organization?

. A No, sir.

. Q Did you know that the principals in that organization were Frank Gomez and Richard Miller?

. A I did not.

. Q When did you learn that Frank Gomez and Richard Miller were the principals in IC, Inc. in the Cayman Islands?

. A In probably January.

. Q Of?

. A 87.

. Q 1987?

. A Yes.

. Q Had you not received checks from IC, Inc. in 1986 related to the prosthesis matter that we discussed earlier?

. A Sir, remember my telling you in the testimony that the first check I received did not have any mention of IC.

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The second check I received was put in the bank by my secretary and I never had even seen the accompanying letter that went with it until January, and I was not aware of who IC was until later in January.

. Q With whom did you make arrangements for--

MR. COSTON: Could I also, the document, in fact, that you are referring to says Intel in any event not IC.

. THE WITNESS: You are right.

BY MR. OLIVER:

. Q It was Intel Corp. later changed to IC or vice versa, I think.

. A That's right. Vice versa. You kept saying IC.

. Q Were you aware Frank Gomez and Richard Miller were principals in Intel Corp.?

. A No, I was not.

. Q With whom did you make arrangements for those payments?

. A With Dr. Gonzalez in Miami.

. Q And Dr. Gonzalez, you asked Dr. Gonzalez--

. A To tell me how much money was going to be required and when.

. Q My question is how did you make arrangements to get the payments?

. A I called Richard Miller and told him how much money I needed.

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. Q And what did he tell your?

. A He didn't tell me anything. In a few days the check would come in. Actually it was only two, remember. One of them came in a blank envelope. The other one had an announcement with it from Intel which I didn't see until probably February.

. Q Did you inquire of Richard Miller after these checks came in as to where or what their origin was?

. A No. I did not.

. Q Doesn't a 501 C 3 corporation have to report on its 990 forms the source of its contributions?

. A That was a pass-through. It was a simple pass-through. We guaranteed a bill and simply passed the money right on through.

. Q Did you put the money into your bank account?

. A Yes.

. Q And then a check was written?

. A Right immediately. To keep from having any overhead cost added to it like long distance fee and everything; we charged them a two percent fee for doing this for them and that's in the figures. So this was a fee paid to do a job, not a contribution to them.

MR. COSTON: You ought to clarify as well too, you do not file the 990's nor are you a corporate officer and you don't know how G and C handled that.

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THE WITNESS: That's right.

BY MR. OLIVER:

Q Did the corporate officers ever ask you what source this money was that want into the bank account?

A No. I called the corporate officers before I ever did it and told them, said I have investigated, found out--one thing I wanted to know if it was clean money. Remember this happened at the time that the contras were being accused of dope running and things like that and that was my only question, is this clean money.

Q And that was your question to Richard Miller?

A Yes.

Q And did he tell you it was clean money?

A Yes. That's all I wanted to know.

Q Did he tell you where it came from?

A No. I didn't ask him. As long as the money was clean, counsel, and the cause was what I knew it to be, there wasn't any question about what the cause was--there wasn't any way I could see anything wrong with it.

Q Did you ever receive any other checks from any offshore bank accounts or from any entities outside the United States?

A No, sir. Well, not unless you consider the travelers checks.

Q The travelers checks which you got from Oliver

North?

A Yes.

Q Did you ever get any other travelers' checks from Adolfo Calero?

A No.

Q Are you aware of anyone else getting any traveler checks from Adolfo Calero?

A Everything I learned about Adolfo Calero I learned probably about the same time you did on the source of those checks. I never had anything to do with Calero.

Q You never knew Calero had a lot of travelers' checks he was passing around to various and sundry people?

A No.

Q Did you ever discuss with Adolfo Calero where they were getting their funds?

A No, sir. When I first met Adolfo Calero there were no funds coming from the United States Government so every dollars he was getting was coming from some private source somewhere.

Q When was the first time you met him?

A In the summer of 1984.

Q Were you sort of responsible as part of this coalition that you were involved in in setting up appointments for Adolfo Calero on Capitol Hill?

A Yes.

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. Q Did you accompany him to many of those meetings?

. A To the door.

. Q But you never sat in on any of the meetings?

. A To some group meetings I have sat in on. I never sat in on individual meetings. Well, a few of them I did. Congressman de la Garza, I enjoyed hearing them talking Spanish to each other. But there were very few. But my practice was to escort them and let the Congressman do all the interviewing with the principal involved, particularly one of the leaders. I have nothing to add to that.

. Q Was Adolfo Calero, in the times you were with him and in the meetings in which you were with him, was he indicating to groups and to individuals the dire need of financial assistance by the contras?

. A --yes, certainly. That was his purpose for being here.

. Q Was raising funds?

. A Well, no. We are talking about he was trying to get the $27 million and then the hundred million. I have never been with Adolfo Calero or Spitz Channell or anyone else raising private money for these sources.

. Q Did Adolfo Calero indicate in any of those meetings or to you, the source of the funds that were keeping them alive at that point?

. A Not specifically, no.

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Q Did he indicate that they were getting some funds at that point?

A Sir, that was so obvious. They didn't have to indicate it.

Q You never asked and he never volunteered.

A I'm thinking about it. You used the word never now. That's a pretty conclusive word.

Q Do you recall?

A I can assure you I never asked. I have no recollection of his every volunteering. I can't swear to it. I have no recollection. On my side I will say never. On his side, I can't be sure.

Q Did Oliver North ever indicate to you he knew where the funds for the contras were coming from during that period of time in 1985 and 1986?

A No, sir.

Q Did Oliver North ever tell you the air resupply operation in Central America?

A No, sir.

Q Did he ever mention to you Albert Hakim?

A No, sir.

Q Richard Secord?

A No, sir.

Q You never met any of those individuals?

A No, sir.

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3984 . Q You first learned of them after this story broke?
3985 . A Same time you did.
3986 . Q Same time the rest of us did. Going back to the
3987 chart for a minute, next to the Gulf and Caribbean
3988 Foundation is something called IDEA. Do you know what that
3989 is?
3990 . A No.
3991 . Q Did you ever hear Oliver North mention it?
3992 . A No.
3993 . Q Next to that is a box which says Intel Youth Com.
3994 Do you have any idea what that is?
3995 . A No.
3996 . Q Next to that is the Institute for probably
3997 Democracies. Do you have any idea what that is?
3998 . A No.
3999 . Q On the next line, of course, you are familiar with
4000 IBC. They were on retainer to you from early 1985 to--
4001 . A No. They were on retainer to me from late summer
4002 or early fall of 1983 to mid 1985.
4003 . Q To mid-1985. Why did you cease to retain them in
4004 mid-1985?
4005 . A Mostly because we ran out of money. We just, our
4006 resources were--we were always very narrow, with our
4007 commissions to what to do.
4008 MR. COSTON: Perhaps you could identify we.

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THE WITNESS: The Gulf and Caribbean, we, the group. We never raised money for the sake of staying in business. We raised money for a project that fit our declared intent or we didn't raise money at all.

BY MR. OLIVER:

Q How did you inform Richard Miller and Frank Gomez that you could no longer afford their services?

A It wasn't in the writing, I don't think. My recollection is I just told him this would be the last check.

Q Was that--

A That's my recollection.

Q Did they tell you at that time that they were getting substantial funds from other sources?

A I knew they had the State Department contract. The size of it, I did not know. I knew they had other business. I knew they were prospering but I know none of the details.

Q How did you know they were prospering?

A Because of their living quarters, because of their activities, the obvious trappings of a prosperous business.

Q Did you spend time over at their offices?

A Very little. Maybe two hours a month.

Q In going on across this chart, we discussed IC, Inc. or Intel Cooperation and you did not learn what that was until much later, until after this story broke, is that

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correct?

. A That's correct.

. Q And then there is an ICSA. Did you learn that there were two IC's?

. A No.

. Q And below that are Lake Resources. Did you know of the existence of Lake Resources?

. A I did not.

. Q Or any of the other--

. A You mean below that?

. Q Yes.

. A Right, I do know about FDN and UNO but nothing below IC or any of that lower right-hand corner had I ever heard of at the time or even until I read it at the same time this came out.

. Q Have you ever discussed this chart with Oliver North?

. A No.

. Q Have you ever discussed this chart with Spitz Channell?

. A Yes.

. Q And what was that discussion about? What did Spitz Channell tell you about this chart?

. A He didn't know anything more about the chart than I did.

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. Q He knew that he was on it in a couple of places.
. A He probably learned that the same time I did.
. Q Did he indicate he knew what some of these other boxes were?
. A No. He never did.
. Q He didn't indicate that he knew about Lake Resources?
. A He did not.
. Q Have you ever discussed this chart with anyone else who indicated to you that they knew what these other boxes stood for?
. A No, sir.
. Q Thank you very much. Mr. Kuykendall, you registered as your clients in 1987 and I'll just list them as a matter of public record, Alpha Environmental, Inc., Alpha 21 Corporation, First Construction Fund, Guards Mark, Inc., Gulf and Caribbean Foundation, National Endowment for the Preservation of Liberty, and the [redacted] Corporation. Other than the Gulf and Caribbean Corporation and the National Endowment for the Preservation of Liberty, were any of those clients involved in any way in Central America or aid to the contras?
. A All right. You used that term any way. The president of Alpha 21 Corporation is Mr. William Blakemore. He is not involved business-wise in any way at all in

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Central America or Mexico. He was the interested party, he and two or three other unrelated people asked us to look into creating Gulf and Caribbean.

. Q For the record I am looking at a publication called, ''1987 Washington Representatives'' published by Columbia Books, Inc. This is a 1987 edition. Other than Mr. Blakemore, who is the same Mr. Blakemore who is involved with the Gulf and Caribbean Foundation, did any of these other corporations or officers of these corporations have any relationship whatsoever to Nicaragua or aid to the contras?

. A No. Counsel advises me there's a very indirect connection that the president and CEO of Alpha Environmental was Ambassador-at-Large, Director of Refugee Affairs for President Reagan before he went to Austin and headed up that company.

. Q Who was that?

. A Ambassador Eugene Douglas. You have probably met him.

. Q But he was not involved in any of the activities that you were involved in that related to the Central American freedom project or the lobbying effort?

. A That's right. Alpha Environmental is an Austin company and he left the government and heads that up.

. Q What services did you perform for the National

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Endowment for the Preservation of Livarty in 1987?

. A My 1987 services to the group of organizations, probably 75 percent of it, is advice and consulting and planning with Spitz Channell himself.

. Q What kind of planning was he doing in 1987?

. A Mr. Oliver, if you knew Spitz Channell, he has a new plan every week and there were--until later in the year when the conclusive things happened to him, he continued to make plans for projects for the Constitutional celebration, for a freedom torch in Berlin, for several other major projects. He had planned a group of lectures on summitry that were all in the planning stage when the end came for him.

. Q The book that he prepared for you at your request related to where all the money had come from for his activities. I believe this was a reaction by you to the local Sun article, is that correct?

. A That's correct.

. Q You went to him in December of 1986?

. A Thereabouts.

. Q What did you say to him? Did you call him on the phone or did you go meet with him?

. A I don't remember because I have done both. I simply said I need for my own information, and I need to be able to say when anyone asks me where your money came from.

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This charge has been made. I'm your representative and if I'm going to be your representative, I must have an answer.

. Q Were you his representative at that time?

. A Yes. Remember I was on retainer, consulting retainer with him in--

. Q December.

. A I went to $3,500 a month. That personal retainer on, I think, July 1st, thereabouts. Remember it was $3,500 and then--

. Q He paid you $3,500 a month from July 1st through December?

. A Up to December, I believe.

. Q On a regular basis?

. A Right.

. Q Then it was changed to $12,000 a month.

. A Correct.

. Q This was after Oliver North had resigned from the White House, is that correct?

. A Correct.

. Q Were you concerned at that time after Oliver North had resigned from the White House that you might become embroiled somehow in this contretemps? Were you concerned at that time?

. A No. Not after I received the information that I asked for. I was concerned enough to ask for that

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information and receive it. A direct charge had been made about funds that came to him either illegally or irregularly and that was the reason for asking for the receipts, the book.

. Q How long did it take him to prepare that book from the time that you asked for it and the time you received it?

. A Well, remember that was over Christmas. I would say six weeks.

. Q Did you participate in any way in the preparation of the book?

. A No.

. Q Were you aware that IBC was participating in the preparation of that book?

MR. COSTON: Are we referring to the same book, the binder we brought with us today?

MR. OLIVER: Yes.

. A To the extent that they participated in that book, yes. I was familiar with the fact that they contributed to that book. I was not familiar with how much or when or how because I remember asking Richard Miller where's the book, because I need it. I want it.

. Q He knew that you had asked Spitz Channell for this book?

. A Yes. That's the reason the question that you asked was a little more appropriate, I think, that you thought.

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Yes, he knew I had asked for the book and I would imagine I know he participated in putting it together.

. Q Were you aware IBC was retained or was paid in early 1987 to help Spitz Channell reconstruct the flow of money that had gone from his organization to IBC?

. A Yes.

. Q How did you learn that?

. A When he called me and asked me for the books on the prothesis file. That's when I first learned about it.

. Q Did he ask you for any other documentation?

. A No, just that one. That's the first time I knew it was Spitz Channell's money, the prothesis file.

. Q Did you participate in any meetings with Richard Miller or Spitz Channell in January or February of 1987 that were related to the compilation or reconstruction of the records of IBC, MEPL, Sentinel, and your companies?

. A Counsel, may i make a fairly broad and absolute statement?

. Q Please.

. A Never from that day forward until I have seen that book, have I participated in any event or any discussion or any participation with anything that had to do with any legal matter with either IBC or any of the Channell organizations. I have not discussed, in advice of their counsel, in advice on my own.

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. Q My question wasn't related to a legal matter. It was a matter of pulling together the records and the documentation.

. A In all of ~~these~~ those massive numbers that came out concerning IBC, all of these other organizations, were absolute news to me. I was as shocked when I saw that book and the invoices of those contributions and the amounts of them as you probably were the first time you saw it. I had know idea of the total amounts or the individual invoices that anyone had given to Spitz Channell because I took no part, none, in any fundraising ever done by Spitz Channell.

. Q In 1987 through May or until some time in May, you were retained by Spitz Channell for a fee of $12,000 a month, according to the contract that was renegotiated or changed in December of 1986?

. A That's right.

. Q And you indicated that you had talked to him about some of the ideas that he had. Did ye discuss with him the investigations that were underway in the Congress of the Iran-contra affair?

. A Only as it limited my ability to function up here because I simply, I did not get on the subject. If it affected him, if it had anything to do with him. In respect to a member of Congress, I simply would not discuss it on the Hill.

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. Q My question was did you discuss it with him?

. A No.

. Q So you were being retained--

. A We discussed other projects. We never discussed the subject of this investigation or the cases as far as he and his organization and Miller and his organization were involved, or any relationship with Ollie North.

. Q You didn't discuss that, any of those subjects, the subjects of these investigations or the activities of these investigations?

. A Roughly from the time I got the first subpoena, and you know about when that was, until this day.

. Q Prior to the time you got the first subpoena did you discuss these investigations with Spitz Channell or Richard Miller or Frank Gomez?

. A Other than say how are you doing or when are you going to get this thing over with, or when are you going to get the special prosecutor to give you a clean bill of health, and that type of things, which I asked him constantly, but never substantively. I kept constantly, I said when are you going to get through with this? When are you going to get back in business? When are we going to get some things going here or when are you going to get a clean bill of health from the prosecutor?

. Q You had not been called prior to the time you got a

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subpoena from this committee?

A Right. This was the very first. The Senate subpoena.

Q That was in February or March of 1987?

MR. COSTON: It was dated March.

THE WITNESS: March.

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DCMN SPRADLING

. BY MR. OLIVER:

. Q Have you discussed this investigation and how it relates to you or to Spitz Channell or Rich Miller or IBC or NEPL with any of the members of this committee or their staffs other than the individuals who participated in this deposition and in the interviews with the Senate?

. A Since I got my subpoena?

. Q No. Since the exhibits were named.

. A Would you read the question.

. Q I'll repeat the question and try to rephrase it to make it a little more clear.

. A Remember, I still function on Capitol Hill.

. Q I understand that. My question was, and I will maybe break it into several parts. Have you discussed this matter with any of the members of this committee since the time they were named, the individuals were named to this committee or just prior to the time they were named to this committee up until the time you received the first subpoena?

committee By this matter, what you do mean?

. MR. COSTON: By this matter, what do you mean?

. BY MR. OLIVER:

. Q I mean the investigation that this committee is conducting.

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A To my recollection, no. I have personally called on one member of the committee on another matter formally. Over on the floor, cloakroom and so forth I have seen probably half of them. But not to discuss or say how are you doing or how long is this thing going to last, stuff like that. Substantively, no. I had a discussion--and you remember this--with Timothy Woodcock when that leak happened AND I know he blew his stack about when my subpoena ended up in the hands of the reporter the next day, and the reporter walked in and put it on my desk. Remember when that happened or maybe you don't. It was a hell of a shock when I walked in and had my own subpoena laid in front of me by a reporter. I called Timothy Woodcock and told him about it and he blew his stack and then told and and blew his stack and that is when he made his pronouncement. So if that counts as a discussion with a member of the committee, yes, that is the only actual substantive discussion.

Then much later, just recently, I had a very bad article for me run in the Miami Herald and the New Orleans paper, which was written by a KNIGHT-RIDDER reporter. It was a total fabrication and we called the Bureau chief, asked him to have the reporter meet with us and I met with counsel and they issued a totally new article and also, that reporter laid that document that you have been using on the front of my desk and said he got it directly

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from a member of the congressional staff and this leak is supposed to come from that.

I reported that to Tim Woodcock.

Q When did this article appear?

A About five weeks ago.

Q Which document were you talking about?

A The one you had--

Q The time line?

A The log of Ollie North.

Q The time line document?

A Yes.

That is the reason I said yes, I know about this document. I said I wish I hadn't seen it but the Miami Herald, the reporter said even the person that gave it to him admitted it was a false story.

Q Did you ever--did Spitz Channell ever ask you to give him advice about how to deal with this congressional investigation while you were on retainer to him in 1987 or in late 1986?

A He asked me to discuss with him the personalities and the attitudes of the different Members of Congress that I knew. I responded to him verbally and at lunch one day about the different people that I knew well and how I thought they were likely to conduct themselves.

Q Members of the committee?

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. A Members of the committee.
. Q On the House side you mean.
. A On the House side, yes. We are talking here about manner, not content, who is a hard driver, who isn't and so forth, like that.
. Q When did this conversation take place, this lunch that you mentioned?
. A I don't even know that it was a lunch. I said it could have been a lunch Oh, probably three months ago. When the Senate committee was first formed.
. Q The House committee you mean.
. A They were both named the same time, weren't they?
. Q They were both named in December, I think of 1986.
. Q It was that far back--whenever that was, was when the committee was first formed.
. Q Since that time you haven't had any discussions with him about the conduct of this investigation?
. A Oh, no. His lawyers wouldn't let him discuss it with me.
. Q I would like to go back to something else. I would like to have this marked as Exhibit No. 12. That is a memorandum from Spitz Channell to Dan Kuykendall dated March 26, 1986 and I would like for you to look at that document, Mr. Kuykendall, and tell me what the purpose of it was and what it indicates.

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[Exhibit No. 12 was marked for identification.]

THE WITNESS: My recollection here is that Channell was probably I think considering trying to get a working relationship with me and needed to know something about my contacts and so forth.

BY MR. OLIVER:

Q You had already received at that time a $10,000 contribution.

A That is correct, a contribution.

Q So he probably knew--

A He never considered retaining me at all. He knew practically nothing about what I do other than sit there and tell him how he ought to run his TV commercials, his content of them. So he really knew very little about my overall function here and he knew very little about who I knew and who I knew well and who I didn't know well.

Q Had he not been participating with you from time to time in the meetings of the larger group which took place in Rich Miller's office?

A See, Spitz Channell knew absolutely nothing about Capitol Hill. He didn't even relate to it. Even in the meetings where--I only have a recollection of one or possibly two such meetings here that he attended. This type work was simply not his thing as far as Channell himself was concerned. He saw in me the possibility of making contact

with a totally new dimension for his whole company and his group of companies. It is my recollection that he asked me for an outline of the type performance that we were capable of doing and this was a summary of it.

. Now, on the last page here--all right. Roughly, right here is what you had seen that you asked me about earlier. I said the year was wrong.

. Q Yes.

. A See it?

. Q I don't have that document in front of me. I think counsel has a copy of it.

. A Right here is what you are referring to. Now does that ring your bell about what you asked me?

. Q Well, I am not sure that is the same meeting but this is a meeting--

. A I said I could not recall one in '85. It must have been in '86. Okay. I will explain this.

. Q Well, in looking at this document Item 1 indicates that you made three different initiatives, personal escort and scheduling for Adolfo Calero and to a lesser extent Alphonso Robelo and others, reorganize guidance and monitoring of volunteer group and personal lobbying and congressional coordination by you.

. A Right.

. Q That is all correct.

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. A Right.

. Q Then the next thing on number 2 is the scheduling of Adolfo Calero with the Republican Policy Committee, the Republican Study Committee, the East Coast group, Congressman Jim Courter's office, with four Members, and the leadership group of Congressman Bob Livingston's office with four Members. I assume this indicates that you had Adolfo Calero meet with each of these groups.

. A No, I said scheduling. I don't remember which of the four cases I was the initiative or they were the initiative. It could have been 100 percent either way. I simply do not remember but I do remember that I was the person that asked for Adolfo Calero's schedule and probably escorted him personally to each of the meetings.

. Q Well, the top line said that this was the performance of Kuykendall et al for contra aid vote in the U.S. House of Representatives so I assume you were taking some credit for Adolfo Calero meeting with these groups.

. A Well, I don't see that I deserve any less or any more credit if a Congressman thinks enough of me to ask my help or I offer my help. I know you wouldn't want to judge which would be more impressive. So there is probably some of both here. The events took place and I was responsible for escorting Mr. Calero there.

. Q This memorandum is from you to Spitz.

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. A Right.

. Q Were you trying to establish a working relationship with Spitz?

. A I wasn't sure yet.

. Q Why did you write this memorandum?

. A He asked me to just in case. You know, you build up a relationship that has to be mutual.

. Q Do you mean three indicates under the heading of contra aid volunteer group Point A, that you met together for kickoff and briefing by Pat Buchanan, Ollie North, Congressman Trent Lott, Congressman Dick Cheney, Aldolfo Calero, Alphonso Robelo and Enrique Bermudez and then under that one, parenthesis, 18 of the top business lobbyists attended the meeting. Where did this meeting take place?

. A Capitol Hill Club.

. Q And it was the kickoff of what, the effort for contra aid?

. A No, no, no. I will give you the very quick version of this.

. When I became deeply involved in the 1986 phase of this issue, and I had been heavily involved in all kinds of business lobbying all these years, and in looking at who was registered to lobby on this issue on the pro-contra side in Washington, none of what I considered the best lobbyists in town were even on this issue, none of them. And all of

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these people, I had worked with in coalitions on the budget, on the tax bills, on the labor law, on a whole bunch of other things. I had worked with all these top lobbyists.

. So I knew that the Office of Public Liaison at the White House had an absolute failed policy in trying to recruit business help on this kind of issue. They had tried to recruit business help, corporations, through the Office of Public Liaison, which is their job, and businesses, corporations, just simply would not do it.

. All right. I knew from my own personal experience that a lot of the best lobbyists in town were very much interested in this issue. So I conceived of the idea, and it took us six weeks to get it cleared by White House counsel, to get a volunteer group on their own time and their own initiative, of business lobbyists to volunteer to work on this issue on their own time. This is what this was.

. Now, I first asked if the White House could ask them. They said no. I asked could we have a meeting at the White House. No. Then I said well, if they go ahead and volunteer can Pat Buchanan come and thank them? They said yes. So that is what that was.

. Q But it says that it is a kickoff and briefing.

. A All right. The famous Ollie North briefing is what this was.

Q What was the kickoff?

A This was the first time they had met together.

Q So this was the kickoff of their efforts for contra aid.

A Right.

Q And did you arrange for Pat Buchanan, Ollie North, Trent Lott, Dick Cheney and Calero, Robelo and Bermudez to be there and to speak?

A Yes. They all did. Robelo, Calero and Bermudez were surprise guests. We didn't even know they were in town but we were able to get them at the last minute.

Q And this meeting took place in February of 1986?

A No. It was probably later than that. It was probably not until May, April-May.

Q This memorandum is dated March 26.

A Then it was earlier than that. Must have happened on that first vote.

I am really hung on this date. I am surprised it was as early as this but anyway, this was the kickoff of the effort on both votes I guess.

Q Well, you indicated that these 18 top business lobbyists attended the meeting at your invitation.

A Yes.

Q You recruited them.

A Yes.

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. Q Could you tell us who those 18 lobbyists were?

. A Frankly, I wouldn't want to give you an incomplete list and I don't have a complete list. If I gave you a list it would be an absolute memory on my part as to who was there and it would be inaccurate.

. Q You don't have a list in your file of who the people were that were invited?

. A If I do have, I will let you have it.

. Q Thank you very much.

. A I don't think I do. I probably have an invitation list but I don't think I have an attendance list.

. Q Well, either an invitation or an attendance list would be very helpful if you could produce that.

. A I'll see if I do. I made the calls by phone. I did not write any letters.

. Q Did Spitz Channell attend that meeting?

. A No, he did not.

. Q Did Rich Miller attend that meeting?

. A Not that I remember. He could have.

. Q Did Frank Gomez attend that meeting?

. A No, not that I remember. I would suppose either Miller or Gomez probably did.

. Q Did they help you organize the meeting in any way?

. A No, they didn't. This is not their turf.

. Q Did any of the other people from your coalition

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that you had built attend that meeting?

. A No. These were my contacts. These were my personal business contacts.

. Q Did anyone from the State Department attend the meeting?

. A No.

. Q The next item on that list numbered B says confirm calls were made on the following Members with designated results.

. A These were the reports back to me on calls made by the 18 people, okay? Now, a high level of influence would be ten. In other words, the person that called on Dante Fascell didn't claim any credit for Dante Fascell voting for contra aid.

. Q You mean it is not the influence level of the Congressman. It's the influence level they thought they had on that call.

. A On that call. Now for instance, they had pretty good reason to believe that some of the calls made on Jim Jones were effective. Down at McKernan and Grandson they had reason to believe that the calls made on those people had some influence. Three is as low as any of them went.

. Q The next number, number 4, says personal Member contacts by Dan Kuykendall. Did you call personally on each one of those Members on that list?

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. A I said contacts. Those were virtually all Cloakroom hi, how are you doing, and how are you going to vote or out in the hallway. I think probably the only person on there who--in fact I will tell you flatly the only person on there I had any discussion with and he is too good a friend for me to ever push him, is Ed Jones.

. Q The next number 5, the summary says it should be recognized that all the contacts referred to in this report are with the actual Member of Congress. Staff contacts are not referred to in this report. So this would indicate all these people you personally talked to.

. A Yes. Of the 18 people and myself, I am not sure I understood the content of your question.

. Q You said some of these were Cloakroom conversations but what you are saying is they were real, all face-to-face, eyeball to eyeball conversations.

. A Yes.

. Q In the last line of this memorandum you said had it not been for the total NEPL effort the Speaker would not have had to promise a secret vote to obtain the temporary victory on March 20. What did you mean by total NEPL effort?

. A I was going back to their institutional advertising that had been running for six months before.

. Q Six months before?

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A At least six months before.

Q They were running--

A None of those--I don't remember but it could have been those hard-hitting ads didn't run until that second vote. That is my memory, that virtually all the ads run before March 20 were run on the institutional level by NEPL.

Q You thought that the institutional effort by NEPL--

A It was more effective than the directed effort.

Q These were the first ads.

A Right. This was the kind of issue, and you remember it well, counsel, that people didn't want to be pushed on. This was the kind of effort that took deep thought, deep consideration, deep thinking and it just wasn't the kind of issue that a Congressman could or would be pushed on.

Q I would like to ask the reporter to mark this document as Exhibit No. 13.

[Exhibit No. 13 was marked for identification.]

BY MR. OLIVER:

Q This is a letter dated July 23, 1986 to Spitz Channell from Dan Kuykendall and I would like to read some portions of it and then give it to you and ask you to comment on it.

It said, in paragraph 3, ''Having been retained by the Gulf and Caribbean Foundation and private Texas clients,

I coordinated the outside (private) lobbying efforts to obtain this aid. We lost our first showdown--Michel I--by two votes but due to an intensive lobbying effort we won approval of Michel II by 63 votes.''

. A That was referring to 1985 effort.

. Q It goes on to say in the next paragraph, ''In early 1986 Gulf and Caribbean received its first direct support from MEPL. This support enabled us to intensify our efforts to obtain military aid for the contras.''

. Now, I would like to ask you to look at that document. I think you have a copy of it in front of you; is that right? Counsel has given you a copy?

. A Yes.

. Q is this an accurate reflection of your activities on behalf of contra aid in 1985 and up until July 23, 1986?

. A Okay. First let me point out that the effort that is referred to here on the two vote deal, in those cases I had not received any money from Gulf and Caribbean whatsoever directly to me. The Gulf and Caribbean effort was being done in the escorting the type thing that you saw in the first document that you handed me and so forth. We felt like that this was very effective in helping but it was the type educational type effort that was the charter of the Gulf and Caribbean Foundation.

. But up until the time this vote took place in '85

we had not received any monies during '84 or the first half of '85 from the Gulf and Caribbean Foundation even for rent or anything else. We just simply didn't receive any money from them. There wasn't any money there and we didn't receive it. So the coordinating of the private lobbying effort is a reputation of that group that I told you about that was formed that I was the acting chairman of.

. This was the group that in late '84, whenever that actually began, and all during that effort in '85, there was none of this big huge coalition. There was none of the big money spent on TV and everything. This was a very, very small effort and with very few people involved. The group that I spoke to you about earlier was the group that I coordinated. That was in the '85 effort. I mentioned here that I realized in late '85--I became aware of NEPL and their TV advertising as a result of both of us using IBC. In 1986, of course, what is that date on that early contribution?

. Q March.

. A March, was obviously the first time that NEPL had seen fit to contribute to Gulf and Caribbean because they saw there a dimension that we added to the effort that they simply didn't have.

. Q You indicated in the next sentence this support enabled you to intensify your efforts to obtain military aid

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for the contras.

A Right.

Q That was through lobbying.

A No.

Q What was it? How did you intensify your efforts to obtain military aid for the contras if it wasn't through lobbying?

A Again we get down to the definition of lobbying. This is where obviously you and I have an absolute difference of opinion as to what constitutes lobbying and what does not constitute lobbying. Lobbying is the material and the type thing that I did in the previous document. That is that type thing and that is calling on those individual Members of Congress and asking them to vote a certain way on a bill. That is lobbying. That is clearcut lobbying and things like that are the reason I obtained money for lobbying for that purpose.

But the escorting of different people at the request of Members of Congress to meetings on Capitol Hill for educational purposes for the purpose of their seeking their knowledge--let's face something here. One of the things that the White House was severely criticized for in the recent hearings has been keeping people in the dark. My whole effort was to try to present a point of view to enough Members of Congress to win this vote and 221 of them decided

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to vote for this issue. It was passed by the United States House of Representatives. It passed the Senate and became the law of the land. That was our goal, was to create enough information for these people to make up their mind on this issue. This was a very narrow issue. This was an issue that had the smallest undecided list month after month that I have ever seen. There were never more than about 50 names on the entire undecided list.

. So the question becomes here about the part we played in it. Very minor part of it was what I would call lobbying. A very major part of it was sheer information carried to Members of Congress at either their request or their knowledge.

. MR. COSTON: Let's take a short break and rest your voice. It's been an hour-and-a-half.

. [Recess.]

. BY MR. OLIVER:

. Q We were discussing Exhibit 13 which was a letter from Spitz Channell to you. Is it your testimony that these activities that are described in here by you are primarily related to educational efforts and not to lobbying?

. A Primarily educational, some lobbying.

. Q So it is your testimony that you were lobbying.

. A I was doing some lobbying, yes.

. Q For MEPL and Spitz Channell.

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A For Sentinel Spitz Channell.

Q I might call your attention to the bottom line on the first page of that document which says the months of April, May and June saw the most intensive educational and lobbying efforts by MEPL, Sentinel and Gulf and Caribbean that this issue has ever received.

A Well, you read the sentence. It's accurate. It's lobbying, Sentinel, education, MEPL, and Gulf and Caribbean.

Q I would like to--could we go off the record?

[Discussion off the record.]

BY MR. OLIVER:

Q Let's go back on the record.

I just want to ask a few questions about some notes that the committee obtained from files of Spitz Channell in which your name appears in several instances.

On July the 16, 1986, there is handwriting on a ''to do'' list from Miller's files that says, and I will read it to you, it says ''Dan Kuykendall to get Congressmen to question on the floor of Congress and then send Kurt Hurge analysis to Dan Kuykendall. Do you remember what that might have been in reference to?

A At this time I had never meet Kurt Hurge. I didn't even know who he was. He is Spitz' lawyer. He is obviously checking out the legal aspect of something.

Q Did he ever send you an analysis of any kind that

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you recall?

A I'm not sure what he is talking about here because in spite of what you may have heard, Spitz was pretty damn careful about running things by his lawyer. I really don't know what we were talking about here because at this time I did not know Kurt Nurge.

Q Do you remember Spitz Channell or Dan Conrad ever asking you to get some Congressmen to ask questions on the floor about any subject, SDI or contra aid?

A Oh, that's fairly common.

Q Did they particularly in the summer of 1986 ask you to get Congressmen to ask questions on the floor about SDI, for instance?

A I have no recollection of it but I certainly can't deny it.

Q Do you remember Spitz Channell or Dan Conrad discussing with you efforts to get a list of SDI contractors for the Strategic Defense Initiative?

A Oh, yes.

Q What was the purpose of getting that list of contractors?

A To compare them to the congressional districts and the list of support by Congressmen.

Q There is an indication on there that says get endorsements for SDI program from Congressman in the

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Districts of SDI contractors and then beside it, that note, it says Dan K, which I assume may be you.

MR. COSTON: I'm going to instruct you to not answer. The subpoena was issued by the Select Committee investigating arms sales to Iran and the contra operations. I think we are pretty far afield here. We are talking about SDI. That has nothing to do with the scope of your investigation and unless there is a proffer of relevance, I am going to instruct the witness not to answer and to move on.

MR. OLIVER: Well, I was, counsel, asking Mr. Kuykendall about his relationship with Spitz Channell and he indicated there were a number of ideas for which he was paid by Spitz Channell in 1986 and in 1987.

MR. COSTON: Is it the Select Committee's charter to examine SDI issues and any lobbying or educational efforts on SDI issues?

MR. OLIVER: I was really trying to determine for what services Mr. Kuykendall was paid by Spitz Channell but if you object I will be happy to withdraw that question.

MR. COSTON: I do. It is 4:15 and we would like to finish up today.

MR. OLIVER: Fine.

The letter that we referred to a few moments ago as Exhibit 13, did Spitz Channell or Dan Conrad ask you to send

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them that letter about performance and analysis of the vote?

THE WITNESS: Yes.

BY MR. OLIVER:

Q And you did?

A Yes.

Q There was reference in some notes under a category headed by your name on several occasions to the Southwest Cattleman's Association board member list. Do you know what that was all about?

A That is a list that Channell spent six months trying to get out of me and never did.

Q I wondered why it appeared on his "to-do" list for such a long period of time.

A He tried to get my list too, and never did.

Q In Exhibit 13 there was a line that indicated in the letter from you to Spitz Channell saying, "Having been retained by the Gulf and Caribbean Foundation and private Texas clients, I coordinated the outside private lobbying effort to obtain this aid."

Who were the private Texas clients?

A All of my clients obviously paid me enough money to where I didn't have to use all my time to--and I could afford to volunteer. No Texas client retained me to do this, but my Texas clients allowed me to do it by the fact that they didn't keep me occupied full time, which most clients don't.

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. Q I would like to ask you about a few people, just some names and ask you if you know them or know of them or have any relationship with them and if I mention a name, if you would describe to me whether or not you know them and in what context you do.

. Clifford Smith.

. A A young man who worked for Spitz Channell as a fund raiser. That's about all I know about him.

. Q How did you meet him?

. A he was around Spitz at the office quite a lot. I never had any function with him. I never went on a trip with him or a meeting with him like that, but I knew him.

. Q Did he participate in any of the large group meetings?

. A Oh, no.

. Q He did not?

. A No.

. Q Chris Littledale?

. A Even less. I met him and that's all.

. Q Jane McLaughlin.

. A No.

. Q You did not know Jane McLaughlin?

. A I know Jane McLaughlin. I did not participate with her.

. Q Did he participate in any of those large group

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meetings at which you were present?

. A No.

. Q Do you retain any bank accounts outside of the United States?

. A No.

. Q You have indicated that you saw Rob Owen but you only met him. You had no dealing with him? Was that your earlier testimony?

. A I didn't even know who he was.

. Q Ed Fox?

. A No.

. Q Bruce Cameron?

. A Yes.

. Q You testified earlier you met Bruce Cameron in the context of the efforts in 1986.

. A With him working with pro-Democrats on the Democratic side, me working on the Republican side.

. Q Did you know that he had a separate entity called, I think the Council for Democratic Education and Assistance?

. A Yes. He operated on the Hill under a separate entity.

. Q Did you know that he was retained or he was paid by a grant from Spitz Channell?

. A Very late I learned that.

. Q After the vote?

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. A After the vote.

. Q How did you learn that?

. A I think I read it in the paper.

. Q Penn Kemble.

. A I know him, yes.

. Q What was Penn Kemble's role in the lobbying effort for aid to the contras?

. A I don't believe you could say Penn Kemble ever even came close to what you would call lobbying. That wasn't his thing.

. Q What was his thing.

. A He pretty much operated, Institute for Legislative Democracies which is strictly an educational group. Penn Kimble is just not a lobbyist, as far as I am concerned.

. Q He participated in those large strategic meetings, either he or Denise O'Leary.

. A Yes. Now Denise was active in lobbying but I never--Penn Kemble could have done some lobbying. I am just not familiar with it. Denise was definitely a lobbyist, a good one.

. Q And she was lobbying at the direction of this coalition?

. A No. No. They handled, the Democratic side, the McCurdy group, that Democratic undecided group almost entirely. Occasionally they would work with the moderate to

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liberal Republicans, but mostly we divided our duties in 1986 as compared to '85.

. Q Were you aware that Penn Kimble was receiving money from Spitz Channel?

. A Not at all.

. Q Did you know that Spitz Channell had funded the group ads that ProDemca placed in the Washington Post and/or the New York Times?

. A No, I did not.

. Q --near the time of the vote?

. A No.

. Q Do you recall the ads?

. A I recall ProDemca ran ads. I do not recall the ads.

. Q Steve Cook?

. A No.

. Q You don't know Steve Cook?

. A No.

. Q John Blaken?

. A No.

. Q Otto ~~Black~~ Reich?

. A Yes.

. Q How did you know Otto ~~Black~~ Reich?

. A I think I first met Otto ~~Black~~ Reich probably at the American Security Council breakfast. He would occasionally

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come to that.

. Q Did he participate in any way in the effort to get aid for the contras?

. A Not through me or with me. I have no idea what he did on his own.

. Q ~~Linn Kofsinger?~~ LYN Nofsinger?

. A No. Not at all.

. Q You know ~~Linn~~ Lyn Nofsinger?

. A Oh, yes, certainly.

. Q Did you know ~~Linn~~ Lyn Nofsinger received funds from IBC in the fall of 1986? I believe it was IBC. It may have been NEPL.

. A Yes. It was NEPL.

. Q It was NEPL?

. A Yes.

. Q How did you know that?

. A Because I sat in meetings with him and Spitz.

. Q What was the purpose of those meetings?

. A To try to teach Spitz how to get along with the right wing of the Republican party.

. Q And he was paying, Spitz was paying ~~Linn~~ Lyn Nofsinger to give him that advice?

. A Yes. Not very long, but he did.

. Q Was there any discussion in those meetings about ads that Spitz Channell was running in the 1986 campaigns?

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. A No.

. Q Were you aware that Spitz Channell was running television spots in congressional campaigns in 1986?

. A In the elections?

. Q In the elections.

. A He did not.

. Q You did not know of any?

. A He did not run ads in congressional races. He ran ads in about four Senate races but he did not run any in any congressional ads.

. Q how do you know?

. A Because I know. I talked him out of running three or four because it was a waste of his money. I was an adviser to him at this time.

. Q You knew of the ads he produced to be run.

. A Right.

. Q But you talked him out of running them.

. A Right.

. Q Those were the ads that were going to be run against Jim Wright and Ron Coleman?

. A Yes. I talked him out of wasting his money.

. Q But did you advise him to run the ads against Tim Wirth and Bob Graham?

. A Well, I advised him to run ads for--

. Q Ken Kramer and Paula HawKins. These were wide open

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Senate races. We were using a PAC, using PAC money and I took part in those without any apology whatsoever. But there were no ads run, and I am 99 percent sure they simply were not run in the House races.

. Q I think you are right about that. Why did you suggest to him that he run these ads for Paula HawKins and Ken Kramer?

. A Well, he had some money to spend for advertising and this was a political campaign and I'm a Republican.

. Q Did anyone ask you, did anyone from the HawKins campaign or the Kramer campaign contact you or Spitz or Lyn Hoffinger and say it would be most helpful if you could--

. A No. Channell would not give money direct to candidates hardly at all. He insisted upon running his own advertising. I did not agree with this. I had long experience with PACs. That's the way I believed in running a campaign. That is the way I liked it when I was a candidate and I did not agree with his strategy of running independant campaigns. This was Channell's idea. This was the way he was doing things. I did not make the decision. I was against the decision to go independant.

. Once he made the decision to go independent. I said these are the places where he is needed.

. Q You indicated four Senate races. Can you recall what the other two were?

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4990 . A Well, you have got Florida, North Carolina,
4991 Colorado and California.
4992 . Q And did you recommend those four Senate races?
4993 . A Probably. They were obvious as being marginal and
4994 needing help and so forth that this was where it was put.
4995 There were several people that ended up being defeated that
4996 weren't even considered marginal, so you have to think back
4997 about six weeks before the election and look at that.
4998 . Q Did you have any contact with the Republican
4999 Senatoral Campaign Committee or the Republican National
5000 Committee during this period of time about these races and
5001 Spitz' activities?
5002 . A Not Spitz' activities. I discussed it with them to
5003 analyze the races. Their information wasn't very good. But
5004 I am well enough known I don't have to go somewhere and
5005 represent Spitz Channell. I can get information on my own
5006 because after all, I was administering a PAC myself at the
5007 time.
5008 . Q Mr. Kuykendall, I thank you for your patience and I
5009 have no further questions.
5010 . MR. FRYMAN: Thank you Mr. Kuykendall, I have no
5011 questions.
5012 . [Whereupon, at 4:20 p.m., the deposition was
5013 concluded.]

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CHRONOLOGICAL EVENT CHECKLIST

February 21-28, 1985 (completed)

Event	Responsibility
Send resource book on the Contadora process process to congressmen, media outlets, private organizations and individuals interested in Nicaragua.	State/LPD (Miller)
FDN to select articulate freedom fighters with proven combat records and to make them available for contact with U.S. media representatives.	NSC (North)
Assign U.S. intelligence agencies to research, report, and clear for public release Sandinista military actions violating Geneva Convention/ civilized standards of warfare.	NSC (North) (Raymond)
Prepare themes for approaches to Congressmen based on overall listed perceptions which will directly attack the objections listed above.	NSC (North)
Encourage U.S. media reporters to meet individual FDN fighters with proven combat records and media appeal.	NSC (North) State/LPD (Gomez)
Contact internal eyewitnesses/victims to testify before Congress about their abortive attempts to deal with the FSLN (deadline March 15).	NSC (North)

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By K. Johnson, National Security Council

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March 1-8, 1985

Event	Responsibility
Prepare list of publicly and privately expressed Congressional objections to aiding resistance and voting record on the issue.	WH/LA State/H
Provide State/H with a list of Nicaraguan emigres and freedom fighters to serve as potential witnesses to testify before hearings on aid to Nicaraguan freedom fighters (due March 15).	NSC (North) State/ARA (Michel) State/LPD (Reich)
Nicaraguan internal opposition and resistance announce unity on goals and principals (March 2, San Jose) (completed).	State/LPD (Miller) NSC (North)
Request that Zbigniew Brzezinski write a geopolitical paper which points out geopoliticalconsequences of Communist domination of Nicaragua (paper due March 20).	NSC (Menges)
Briefings on Nicaragua for key Congressional members and staffers. North on NU aggression and external involvement, Burghardt on diplomatic situation.	NSC (North) (Burghardt)
Supervise preparation and assignment of articles directed to special interest groups at rate of one per week beginning March 18 (examples: article on Nicaraguan educational system for NEA, article by retired military for Retired Officers Association, etc.).	State/LPD
Assign agencies to draft one op-ed piece per week for signature by Administration officials. Specify themes for the op-eds and retain final editorial rights.	NSC (Menges)
Conduct public opinion poll of America attitudes toward Sandinistas, freedom fighters.	WH (Rollins)
National Press Club news conference for FDN commanders Bermudez, Tigrillo, Mike Lima (March 5) (follow-on Congressional visits (March 6) (completed).	State/LPD (Gomez) (Kaykendall)
Martha Lida Murillo (9 yr old atrocity victim) visit to Washington--media interviews, Congressional visits, possible photo-op with First Lady (March 6-8) (completed).	State/LPD (Gomez) (Kaykendall) (WH/OPL)

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March 9-15, 1985

Event	Responsibility
WH/Legislative Affairs, State/H and ARA complete list of key Congressmen interested in Nicaragua.	State/H (Ball/Fox) WH/LA State/ARA (Michel/Holwill)
Intelligence briefing for White House Administration and senior staff by CIA (Vickers, Room 208, OEOB, 30 minutes).	NSC (North)
Brief Presidential meeting with Lew Lehrman and other leaders of the influence groups working on MX and resistance funding.	NSC (Raymond) (North)
State/LPD and WH Media Relations prepare a list of key mediaoutlets interested in Central American issues, including newspapers, radio, and TV stations (including SIN). Where possible identify specific editors, commentators, talk shows, and columnists.	NSC (North) State/LPD (Miller)
NSC update talking points on aid to Nicaraguan freedom fighters.	NSC (North)
Briefings in OEOB for members/Senators: Shultz, McFarlane, Gorman, and Shlaudeman to brief Lehman (requires General Gorman to be placed on contract).	NSC (North) (Lehman)
Call/visit newspaper editorial boards and give them background on the Nicaraguan freedom fighters.	State/LPD (Reich) WH/PA NSC (North)
Brief OAS members in Washington and abroad on second term goals in Central America. Explore possible OAS action against Nicaragua.	OAS (Middendorf) NSC (Menges) State/LPD (Reich)
VP at Brazilian inauguration. Discuss possible OAS initiative on Nicaragua with Core Four, Colombia, Brazil, and Uruguay (March 15 and 16).	VP (Hughes)
Prepare a "Dear Colleagues" ltr for signature by a responsible Democrat which counsels against "negotiating" with the FSLN.	NSC (Lehman)

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March 16-22, 1985

Event	Responsibility
Results due on public opinion survey to see what turns Americans against Sandinistas (March 20).	NSC (Hinckley)
Joachim Maitre--Congressional meetings, speeches, and op-ed pieces.	State/LPD ✓ (Kuykendall)
Review and restate themes based on results of public opinion poll.	State/LPD (Reich) NSC (North) (Raymond)
Presidential drop-by at briefing for American evangelicals on MX and Nicaraguan resistance.	WH/OPL (Reilly) NSC (North)
Congressional hearings (Foreign Relations/ Affairs) and testimony by Nicaraguan emigres and atrocity victims.	WH/LA NSC (North) (Lehman)
Prepare document on Nicaraguan narcotics involvement.	Justice (Mullen)
SSCI CODEL Boren, Rockefeller, McConnell, and Wilson [redacted] meetings with resistance (March 15-19).	NSC (North) ✓ (Lehman)
VP in Honduras; meeting with Pres Suazo (March 16).	VP (Hughes)
Argentine state visit; President emphasize need for OAS case (March 19).	WH (Elliott)
Pastora and Calero meeting with Congressional Hispanic Caucus (Jorge Mas) (March 20).	
Production and distribution of La Prensa chronology of FSLN harassment.	State/LPD ✓ (Reich)

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March 23-31, 1985

Event	Responsibility
Rev. Vallardo Antonio Santeliz (Pentecostal Minister atrocity victim)--Congressional/ media meetings (March 22-23).	State/LPD (Kuykendall) (Gomez)
McFarlane, Friedersdorf meeting with key Congressional leadership (Rm 208 or WHSR) to brief situation and proposed course of action (March 23-25).	WH/LA NSC (Lehman) (North)
Presidential breakfasts, lunches, and WHSR meetings with key Congressional leaders (March 24 through vote).	
Pedro Juaquin Chamorro (Editor La Prensa) U.S. media/speaking tour (March 25-April 3)	State/LPD (Miller/Gomez)
President to meet in Room 450 w/"Spirit of Freedom," concerned citizens for Democracy. Representatives from 8 countries (180) (March 25).	✓
Release of DOD/State paper on Soviet/Cuban/ Nicaraguan intentions in the Caribbean; possible WH backgrounder.	State/LPD(Reich) ✓ WH/PA (Sims)
Distribute Bernard Nietschmann paper on suppression of Indians by FSLN.	State/LPD
Antonio Farach (Former FSLN Intelligence Officer)--media and Congressional meetings regarding Sandinista espionage, intelligence activities.	Republican Study Committee
Invite President's Duarte, Monge, Suazo, and Barletta to a very private meeting in Texas with key Congressional leaders so that CODEL can hear unvarnished concerns re Sandinistas and Democratic leaders' support for the FDN.	(Kuykendall) NSC (North)
Release paper on Nicaraguan media manipulation.	State/LPD
Publish and distribute as State Department document Nicaragua's Development as Marxist-Leninist State by Linn Poulsen.	State/LPD (Reich)
Declassify Nicaragua's Development as a Marxist-Leninist State by Linn Jacobowitz Poulsen for publication as State Department document (clearance request w/Casey).	State/LPD (Blacken)

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5

March 23-31, 1985

Event	Responsibility
Rev. Vallardo Antonio Santeliz (Pentecostal Minister atrocity victim)--Congressional/ media meetings (March 22-23).	State/LPD (Kuykendall) (Gomez)
McFarlane, Friedersdorf meeting with key Congressional leadership (Rm 208 or WHSR) to brief situation and proposed course of action (March 23-25).	WH/LA NSC (Lehman) (North)
Presidential breakfasts, lunches, and WHSR meetings with key Congressional leaders (March 24 through vote).	
Pedro Juaquin Chamorro (Editor La Prensa) U.S. media/speaking tour (March 25-April 3)	State/LPD (Miller/Gomez)
President to meet in Room 450 w/"Spirit of Freedom," concerned citizens for Democracy. Representatives from 8 countries (180) (March 25).	
Release of DOD/State paper on Soviet/Cuban/ Nicaraguan intentions in the Caribbean; possible WH backgrounder.	State/LPD(Reich) WH/PA (Sims)
Distribute Bernard Nietschmann paper on suppression of Indians by FSLN.	State/LPD
Antonio Farach (Former FSLN Intelligence Officer)--media and Congressional meetings regarding Sandinista espionage, intelligence activities.	Republican Study Committee
Invite President's Duarte, Monge, Suazo, and Barletta to a very private meeting in Texas with key Congressional leaders so that CODEL can hear unvarnished concerns re Sandinistas and Democratic leaders' support for the FDN.	(Kuykendall) NSC (North)
Release paper on Nicaraguan media manipulation.	State/LPD
Publish and distribute as State Department document Nicaragua's Development as Marxist-Leninist State by Linn Poulsen.	State/LPD (Reich)
Declassify Nicaragua's Development as a Marxist-Leninist State by Linn Jacobowitz Poulsen for publication as State Department document (clearance request w/Casey).	State/LPD (Blacken)

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April 1-7, 1985

Event	Responsibility
Request Bernard Nietschmann to update prior paper on suppression of Indians by FSLN (to be published and distributed by April 1).	State/LPD (Blacken)
AEI: Sponsor media events w/print and television media for Central America resistance leaders (April 1-7).	State/LPD (Reich) WH/OPL (Reilly) ✓
European Parlimentary delegation to meet with President Reagan (April 2).	National Forum Foundation WH/OPL (Reilly) ✓
Visit by Colombian President Betancur (April 3-4); possible Joint Session speech by Betancur.	
Proposed Presidential television address on Nicaragua (April 4).	WHSpeechwriters (Elliott) NSC (North)
Second round of SFRC hearings on Soviet build-up in region (Helms) (prior to recess).	State/H
CODEL visits during recess (April 4-14). Nicaraguan refugee camps in Honduras and Costa Rica (include visit to freedom fighter base camp and hospital in [redacted]	NSC (North) (Lehman) ✓
CODEL visit during recess (April 4-14) with regional leaders of Central America. Regional leaders convey importance of resistance fighters in NU.	NSC (North) (Lehman)
Administration and prominent non-USG spokesman on network shows regarding Soviet, Cuban, East German, and Libyan, Iranian connection with Sandinistas.	WH/PA (Sims) WH (Buchanan) State/LPD ✓
Publish updated "Green Book;" distribute personally to Congressman, media outlets, private organizations, and individuals interested in Nicaragua. Pass to Lew Lehrman and other interested groups.	State/LPD (Reich) WH/LA State/H (Fox)
Distribute paper on geopolitical consequences of Communist domination of Nicaragua.	State/LPD
Release paper on Nicaraguan drug involvement.	State/LPD (Blacken) NSC (North)

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April 8-14, 1985 (During recess)

Event	Responsibility
25 Central American spokesmen arrive in Miami for briefing before departing to visit Congressional districts. Along with national television commercial campaign in 45 media markets.	CFA (Abramoff)
Targeted telephone campaign begins in 120 Congressional districts. CITIZENS FOR AMERICA district activists organize phone-tree to targeted Congressional offices encouraging them to vote for aid to the freedom fighters in Nicaragua.	CFA (Abramoff)
Lew Lehrman speaking tour of major U.S. cities.	CFA
Telephone campaign.	
Central American spokesmen conduct rallies throughout the country in conjunction with CITIZENS FOR AMERICA activists (starting April 12).	CFA
Nationally coordinated sermons about aid to the freedom fighters are conducted (April 14).	
Naval Institute Seminar in Newport, RI (Lugar, McFarlane [April 12]).	

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April 15-21, 1985

Event	Responsibility
Nicaraguan Refugee Fund (NRF) dinner, Washington, DC; President as Guest of Honor (April 15).	State/LPD (Miller) ✓ NSC (Raymond)
Presidential report to Congress on reasons for releasing funds to freedom fighters (April 15).	NSC State
AAA available to Washington press.	State/LPD (Gomez) ✓
Central American spokesmen visit Congressional offices on Capitol Hill (April 16).	Abramoff ✓
SFRC Nicaraguan issues, open hearing (April 16-17).	
Washington conference "Central America: Resistance or Surrender" (Presidential drop-by?) (April 17).	NSC ✓ Abramoff
Barnes' subcommittee hearing on Nicaragua; Motley, public witnesses (April 18) (2170 Rayburn, 2:00 p.m.).	
Presidential Radio Address (April 20).	WH (Elliott)

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April 22-29, 1985

Event	Responsibility
House Appropriations (Obey subcommittee) intelligence brief on Central America/ Latin America (April 23).	
Obey subcommittee (panel on Central America), public witnesses (a.m.)/Administration witnesses (p.m.) (April 24).	
Major rally in the Orange Bowl in Miami, Florida, attended by President Reagan and important Administration figures (April 28).	Cuban American National Foundation State/LPD (Reich)
Presidential calls to key members.	WH (Friedersdorf) NSC (Lehman)

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Carl Russell Channell
2132 Belmont Road, N.W.
Washington, D.C. 20009

April 15, 1986

Mr. Richard Miller
1912 Sunderland Place, NW
Washington, DC 20036

Dear Rich:

As promised, the final House votes to decide the fate of freedom in Nicaragua are today (April 15) being taken.

With the House acting on the President's request for the last time, the usefulness of our Central American Freedom Program comes to an end. The program has been tremendously successful. It has made a significant national and international impact for good. Most important, it has remained true and steadfast to Ronald Reagan's goals to extend freedom wherever possible.

You, as Program Director, have executed your multiple leadership responsibilities with the highest degree of professional excellence. You are a gifted and unique leader. The team of IBC staff and subcontractors you assembled to carry out specific aspects of the Central American Freedom Program is also worthy of great admiration and appreciation from everyone supportiv of the President's goal.

Last week I began to notify our subcontractors and consultants that all National Endowment for the Preservation of Liberty financial arrangements with them would be terminated on April 15. Please call the following businesses/individuals and notify them that the program has ended and restate that all financial arrangements between the National Endowment for the Preservation of Liberty and them are terminated as of tonight. Your follow-up call will ensure that we have contacted everyone.

Please convey my sincere thanks to everyone. Tell them that I will personally contact them about future projects. Everyone involved in the Central American Freedom Program will shortly receive a heartfelt personal thank you from me.

Englewood Cliffs Exh 3
8-12-87 [illegible]
4661

Please call:

Marty Artiano
Steve Cook
David Fischer
Edie Fraser
Bob and Adam Goodman
Dan Kuykendall
Jack Lichenstein
Penn Kemble
UNO office.

I cannot express to you my appreciation for the incredible contribution you have made in support of freedom. Thank you for being instrumental in making this program a success.

Very sincerely,

Spitz Channell
President
National Endowment for the
Preservation of Liberty

SECRETARY -- Active Subcommittee seeks secretary to work for staff director and committee counsel. Word processing and dictaphone experience helpful but not required. Typing 60 wpm. Salary commensurate with experience. Send resume to DSG, Job Referral No. 2806.

STAFF ASSISTANTS -- Progressive office seeks several detail-oriented people to work as number crunchers. Interested persons must be able to add, subtract, multiply, and divide. Minimum thirty hours per week. Send resume to DSG, Job Referral No. 2807.

STAFF ASSISTANT -- House Committee seeks entry-level staff assistant. Word processing experience, knowledge of committee procedures, and strong interpersonal skills desired. Responsibilities include general typing, research, recordkeeping, and dissemination of information to Congress and the public. Send resume to DSG, Job Referral No. 2808.

*PRESS SECRETARY -- Active Democratic Senator seeks press secretary for competitive media market. Will supervise press department of three. Duties include TV, radio, and print inquiries, newsletter, cable TV, and radio show production, Op Eds, and occasional speech writing. Hill and campaign experience preferred. Salary: Low- to mid-forties. Send resume to DSG, Job Referral No. 2810.

*PRESS SECRETARY -- Northeastern Democrat seeks press secretary for busy office. Must possess an enthusiasm for local press assignments, as well as excellent writing skills, attention to detail, complete follow-through, and good political skills. Newsletter and cable TV production experience a must. Send resume to DSG, Job Referral No. 2811.

*SECRETARY -- House Subcommittee has immediate opening for full-time secretary. Duties include typing, filing, handling mail, incoming calls, and document requests, clerical work in preparation for Subcommittee hearings, and some legislative correspondence. Typing: 60 wpm. Willing to train on word processing equipment. Salary: High-teens. Send resume to DSG, Job Referral No. 2812.

*LEGISLATIVE ASSISTANT -- Moderate Democrat seeks LA/LC with experience, especially in labor and business issues. Excellent opportunity to advance to LD position in 1988. Salary negotiable. Send resume to DSG, Job Referral No. 2813.

*COMMUNICATIONS ASSISTANT -- Midwestern Democrat seeks individual with at least one year comparable experience to handle preparation and follow-through on press and other "visibility"-related projects, including press releases, newsletters, targeted and mass mailings, speeches, and media events. Crisp, concise writing skills, sound organizational and political instincts, and mature judgement are essential. Familiarity with Upper Midwest a definite advantage. Send resume and original cover letter stating interests and salary expectations to DSG, Job Referral No. 2814.

*PRESS AIDE -- Democratic Senator seeks well-organized, energetic assistant to help press secretary manage media operations. Emphasis on radio, TV, maintaining local contacts. Hill experience mandatory, media experience desirable. Send resume and writing sample to DSG, Job Referral No. 2823.

*LEGISLATIVE ASSISTANT -- Liberal Member of Armed Services Committee seeks legislative assistant to handle committee work and foreign affairs issues. Previous Hill experience or defense and foreign affairs background a plus. Salary: Low- to Mid-twenties. Send resume to DSG, Job Referral No. 2824.

*STAFF ASSISTANT -- Northeastern Democrat seeks general staff person. Position will entail a broad range of duties, including telephone and incoming mail routing, computer data entry, and some legislative correspondence. Typing ability a plus; good writing skills essential. Entry-level position. Salary: $14,000. Send resume to DSG, Job Referral No. 2825.

*LEGISLATIVE CORRESPONDENT -- Western Democratic Senator seeks legislative correspondent to cover labor, health, education, and women's issues. Good writing skills necessary. Salary: $18,000. Send resume to DSG, Job Referral No. 2826.

*LEGISLATIVE ASSISTANT -- Committee Chairman seeks legislative assistant for congressional office to handle correspondence on a wide variety of issues, draft statements, initiate mass mailings, and brief Member, etc. Must be efficient and show initiative! Minimum one year Hill legislative experience required. Send resume to DSG, Job Referral No. 2827.

*LEGISLATIVE CORRESPONDENT/RESEARCH ASSISTANT -- Senior Democrat on Senate Finance Committee seeks junior staff person to handle tax issues. Excellent writing skills essential; some background in tax and/or accounting preferred. Salary: $18,000. Send resume to DSG, Job Referral No. 2828.

*TYPIST -- Democratic Senator seeks good, accurate typist (55 wpm minimum) for newsletter and press-related material. Good grammatical and proofreading skills required. Word processing helpful. Must work well under pressure and be able to meet tight deadlines. Salary: $18,000. Send resume to DSG, Job Referral No. 2829.

*COMPUTER OPERATOR -- Democratic Member seeks part-time computer operator for three and one-half month assignment. Prior experience with computers and typing (50 wpm minimum) required. We're looking for someone with a lot of initiative and strong organizational skills. Willing to train; hours are negotiable. Send resume to DSG, Job Referral No. 2830.

*STAFF ASSISTANT -- Legislative service organization seeks mature, organized individual for general office management duties, light correspondence, and meeting planning. Requires considerable telephone work. Should be a self-starter with good writing skills and attention to detail. Hours: 9 am to 3 pm. Salary: up to $9/hour. Send resume to DSG, Job Referral No. 2831.

* * *

KUYKENDALL COMPANY

June 10, 1986

MEMORANDUM: SPITZ CHANNELL FOR THE NATIONAL ENDOWMENT FOR THE PRESERVATION OF LIBERTY
FROM: DAN KUYKENDALL
RE: CONFIRMATION OF CONSULTING ARRANGEMENT BETWEEN SPITZ CHANNELL AND DAN KUYKENDALL

Dan Kuykendall hereby agrees that he will be available to Spitz Channell or his specific designee for consulting in the area of politics, public affairs, and government operations for twelve (12) months beginning on June 1, 1986.

It is agreed that Kuykendall will be available for personal or phone consulting whenever that service is needed on a reasonable basis.

The Kuykendall Company will bill the "National Endowment for the Preservation of Liberty" for $3,500 at the end of each month, plus the cost of any travel or entertainment done by Kuykendall with prior approval of Channell.

Signed this 10th day of June, 1986.

Carl Russell Channell
National Endowment for the
Perservation of Liberty

Dan Kuykendall
Kuykendall Company

lp

A 0029099
Kuykendall Corp Ex.
8-12-87 [illegible]

517 3rd Street, S.E. • Washington D.C. 20003 • 202/546-2196

KUYKENDALL COMPANY

May 5, 1986

Mr. Dan Conrad, Executive Director
National Endowment for the Preservation of Liberty
305 4th Street, NE
Washington, D. C. 20002

Dear Mr. Conrad:

As per our agreement please consider this letter as an invoice for consulting, research, and resource information from the Gulf and Caribbean Foundation. Please forward your contribution of $5,000 to my attention at the following address:

Gulf & Caribbean Foundation
P. O. Box 40841
Washington, D. C. 20016

This sum covers our advisory and consulting contribution to the CONTRA Aid effort for the remainder of 1986.

Very truly yours,

Dan Kuykendall

DK:lp

Kuykendall Corp #5
8-12-87
A 0075541

517 3rd Street, S.E. • Washington, D.C. 20003 • 202/546-2196

KUYKENDALL COMPANY

Dan Kuykendall
President

June 10, 1986

MEMORANDUM TO: SPITZ CHANNELL
FROM: DAN KUYKENDALL
RE: YOUR REQUEST CONCERNING MONTHLY COSTS OF OPERATING GULF & CARIBBEAN FOUNDATION'S PRESENCE IN WASHINGTON

MONTHLY BUDGET FOR GULF & CARIBBEAN FOUNDATION

Consulting Services, Dan Kuykendall	$1,300
Administrative Services, Kuykendall Company	750
Telephone, Postage, Supplies, Rent, etc.	450
	$2,500
Consulting Services, IBC	1,500
TOTAL FIXED BUDGET	$4,000
Travel (Monthly average, to be billed.)	450
TOTAL INCLUDING VARIABLE	$4,450

lp

517 3rd Street S.E. • Washington D.C. 20003 • 202/546 2196

Pay 1/5

KUYKENDALL COMPANY

December 22, 1986

Mr. Spitz Channell, President
National Endowment for the Preservation of Liberty
1331 Pennsylvania Avenue, NW - Suite 350
Washington, D. C. 20002

Attention: Mr. Dan Conrad

Fee due for services rendered for December, 1986	$12,000.00
TOTAL DUE KUYKENDALL COMPANY	$12,000.00

KC:lp

Kuykendall Ex 7A
8-1287 JMM

517 3rd Street, S.E. • Washington, D.C. 20003 • 202/546-2196

FINAL ARRANGEMENT BETWEEN THE KUYKENDALL COMPANY, DAN KUYKENDALL, AND SPITZ CHANNELL AND HIS VARIOUS ORGANIZATIONS

A. Continue the presently existing personal consulting contract between Dan Kuykendall and Spitz Channell. Monthly Retainer.	$3,500
1. Advisor to all Channell organizations regarding political and legislative matters. Monthly.	2,500
2. Lobbying services. Monthly.	3,500
3. Unlimited information retrieval, legislative tracking, legislative analysis, social events. Monthly.	2,500
Kuykendall is available to travel out of Washington for expenses only and, with reasonable notice, to speak to any Channell group, including PAC activity in which he is a specialist.	
TOTAL MONTHLY FEE	$12,000

The above includes personal services of Dan Kuykendall, Elizabeth Powell, and Ric Marino on a reasonable basis which, of course, means a major portion of each person's time.

B. Payment Schedule (to be determined)

1. Retainer payable monthly, in advance at the first of each monthly period: $12,000 monthly.

2. Retainer payable quarterly, in advance at the first of each quarterly period (@ $11,500 per month): $33,500 quarterly.

3. Retainer payable semi-annually, in advance at the first of each six month period (@ $11,000 per month): $66,000 semi-annually.

KC:lp

3/6/87

Kuykendall & Spitz
$12,000

DETAILS OF ARRANGEMENT BETWEEN THE KUYKENDALL COMPANY, DAN KUYKENDALL, AND SPITZ CHANNELL AND HIS VARIOUS ORGANIZATIONS

A. Continue the presently existing personal consulting contract between Dan Kuykendall and Spitz Channell. Monthly Retainer.	$3,500
1. Advisor to all Channell organizations regarding political and legislative matters. Monthly.	1,500
2. Lobbying services. Monthly.	3,000
3. Unlimited information retrieval, legislative tracking, legislative analysis, social events. Monthly.	2,000
B. Financial and Campaign Financial Services.	
Kuykendall Company owns one of the most up-to-date and successful fund raising systems in Washington today, including the services of Ric Marino who was responsible for the staging of Washington events for the Broyhill Campaign, raising PAC contributions in excess of $1,200,000. Monthly.	2,000
Kuykendall is available to travel out of Washington for expenses only and, with reasonable notice, to speak to any Channell group, including PAC activity in which he is a specialist.	
TOTAL MONTHLY FEE	$12,000

C H 05474

The above includes personal services of Dan Kuykendall, Elizabeth Powell, and Ric Marino on a reasonable basis which, of course, means a major portion of each person's time.

KC:lp

11/7/86

Kuykendall Exp Ex.
8-12-87 [illegible]

September 29, 1986

C H 05475

Mr. Spitz Channell
SENTINEL
1331 Pennsylvania Avenue, NW - Suite 355
Washington, D. C. 20004

Dear Spitz:

During my twenty years as a Congressman and Consultant in Washington, I have participated in scores of worthwhile projects. Your SDI initiative is one of the most exciting and essential such efforts in which I have been involved.

The completed book and overlay map with which I worked for the first time last week may well be the most complete and useful political document I have ever used.

It is obvious that much expense and monumental detail work went into the preparation of these documents. My experience tells me that most research projects never succeed in relating their work directly to the political situation in a useful way. Your package does that beautifully.

Congratulations on a job well done; I'm using it!

Sincerely,

Dan Kuykendall

DK:lp

Dan Kuykendall
P. O. Box 40841
Washington, D.C. 20016

September 15, 1986

C H 05476

Mr. Spitz Channell, President
National Endowment for the Preservation of Liberty
1331 Pennsylvania Avenue, NW - Suite 350
Washington, D. C. 20004

Dear Spitz:

During my twenty years as a Congressman and Consultant in Washington, I have participated in scores of worthwhile projects. Your SDI initiative is one of the most exciting and essential such efforts in which I have been involved.

The completed book and overlay map with which I worked for the first time last week may well be the most complete and useful political document I have ever used.

It is obvious that much expense and monumental detail work went into the preparation of these documents. My experience tells me that most research projects never succeed in relating their work directly to the political situation in a useful way. Your package does that beautifully.

Congratulations on a job well done; I'm using it!

Sincerely,

Dan Kuykendall

DK:lp

July 23, 1986

C H 05477

Mr. Spitz Channell, President
The National Endowment for the Preservation of Liberty
305 4th Street, NE
Washington, D. C. 20002

Dear Spitz:

Now that we have gotten a favorable House vote on our first cooperative effort, I will take this opportunity to give you my analyis of the accomplishments.

In the Spring of 1985 the first attempt to obtain military aid to the Contras was decisively defeated with our receiving only 180 votes in the House.

Due to this very poor showing we were forced to change our tactics to seeking only humanitarian aid. Having been retained by the Gulf & Caribbean Foundation and private Texas clients I coordinated the outside (private) lobbying efforts to obtain this aid. We lost our first "showdown" (Michel I) by two votes but due to an intensive educational and lobbying effort we won approval of Michel II by sixty-three votes.

In late 1985 I had my first experience working in a voluntary coalition with NEPL and Spitz Channell. This was a result of our both using the services of IBC. In early 1986 Gulf & Caribbean received its first direct support from NEPL. This support enabled us to intensify our efforts to obtain military aid for the Contras.

It became very obvious to me that NEPL was the only organization with both the ability and the resources to run productive advertising on aid to the Contras. Some other groups actually did more harm than good with their advertising.

On our first try in March we were able to get 210 votes for military aid to the Contras, an improvement of thirty votes but still eight votes short.

The months of April, May, and June saw the most intensive educational and lobbying efforts by NEPL, Sentinal, and Gulf and Caribbean that this issue has ever received.

L n 0547/8

We began the campaign with a target list of approximately forty members of Congress. About ten of them were considered "soft" even though we got their votes in March. The target list of forty was about one-quarter Republicans and three-quarters Democrat.

The educational type TV plus the various lobbying efforts began to shorten the undecided list to the point that two weeks before the vote we specifically targeted thirteen Congressmen for the last push TV effort. Efforts began in earnest to remove people from the undecided list and, therefore, enable us to cancel the TV in their markets. We withdrew TV in Louisville and San Antonio before the schedule actually began because of commitments from three members.

Since I was retained by Sentinal as Senior Consultant on June 1, I became even more involved in media and lobbying strategy.

Even though we continued to work hard on an additional ten undecideds until the very last, our estimated vote count on June 23 was 222 votes with a projection of an additional five Republicans and seven Democrats over and above the March total of 210. We actually received all the original 210 plus five additional Republican and six Democrats.

Immediately after our 221-210 victory on the President's package vs. the House Democratic leadership package, another interesting vote took place. A very liberal package with no military aid was offered against the President's package. Twelve to fourteen people, all of whom had been on our original undecided list, changed and voted for the President's package, including military aid.

All these last twelve to fourteen changes, plus the eleven additional votes we received on the initial vote on the President's package, were the successful targets of intensive educational and lobbying efforts. I can say with total confidence that our various combined efforts were a major factor in more than half of the total.

I am hopeful that this new relationship with its multifaced capability will bring us many more victories in the future.

Very truly yours,

Dan Kuykendall

DK:lp

KUYKENDALL COMPANY

June 10, 1986

C H 05479

MEMORANDUM: SPITZ CHANNELL FOR THE NATIONAL ENDOWMENT FOR THE PRESERVATION OF LIBERTY
FROM: DAN KUYKENDALL
RE: CONFIRMATION OF CONSULTING ARRANGEMENT BETWEEN SPITZ CHANNELL AND DAN KUYKENDALL

Dan Kuykendall hereby agrees that he will be available to Spitz Channell or his specific designee for consulting in the area of politics, public affairs, and government operations for twelve (12) months beginning on June 1, 1986.

It is agreed that Kuykendall will be available for personal or phone consulting whenever that service is needed on a reasonable basis.

The Kuykendall Company will bill the "National Endowment for the Preservation of Liberty" for $3,500 at the end of each month, plus the cost of any travel or entertainment done by Kuykendall with prior approval of Channell.

Signed this 10th day of June, 1986.

Carl Russell Channell
National Endowment for the
Preservation of Liberty

Dan Kuykendall
Kuykendall Company

lp

RepublicBank

DALLAS

P O BOX 225961
DALLAS, TEXAS 75265

TYPE OF ACCOUNT	ACCOUNT-NUMBER
COMMERCIAL	282-746-8
CHECKING	DATE: 03-31-86

PAGE 1

GULF & CARIBBEAN FOUNDATION
P. O. BOX 40841
WASHINGTON,D C 20016

9

SUMMARY OF ACTIVITY FOR THE PERIOD 03/01/86 THRU 03/31/86 TAXPAYER NUMBER 00-0000000

YOUR BALANCE ON 02/28/86 WAS	163.38		
THERE WERE DEPOSITS AND OTHER ADDITIONS	32,600.00	NUMBER OF DEPOSITS AND OTHER ADDITIONS	4
THERE WERE CHECKS AND OTHER SUBTRACTIONS	7,766.73	NUMBER OF CHECKS AND OTHER SUBTRACTIONS	9
YOUR MONTHLY SERVICE CHARGE WAS	.00		
YOUR BALANCE ON 03/31/86 WAS	24,996.65		

CHECKS AND AUTOMATIC TRANSACTIONS			DEPOSITS	DAILY-BALANCES	
AMOUNT			AMOUNT	DATE	BALANCE
BALANCE FORWARD					163.38
DEPOSIT			2,100.00CR	03/07	2,263.38
	47.61	800.00		03/07	1,415.77
DEPOSIT			20,000.00CR	03/17	21,415.77
				03/17	21,415.77
	1,500.00	2,000.00		03/19	17,915.77
	163.12	500.00		03/20	17,252.65
	256.00	2,000.00		03/24	14,996.65
DEPOSIT			10,000.00CR	03/25	24,996.65
	500.00			03/25	24,496.65
DEPOSIT			500.00CR	03/28	24,996.65
				03/28	24,996.65

RepublicBank Dallas, N.A.

Checks and other items are received for deposit subject to the terms and conditions of the bank's deposit agreement now in effect.

Depositor Responsibility. Depositor shall be responsible for any loss arising from the failure to properly identify the account by name and number on any deposit instrument

GULF & CARIBBEAN FOUNDATION
5353 INTERFIRST TWO
DALLAS, TEXAS 75270

DATE 3/25/86

RECORD CHECKS FOR DEPOSIT	DOLLARS	CENTS
Nat'l Endowment for the Preservation of Liberty	10,000.	00
TOTAL from reverse side	[illegible]	
CURRENCY		
COINS		
USE BACK SIDE FOR LISTING ADDITIONAL CHECKS — TOTAL DEPOSIT	[illegible]	

IF YOU ARE ASSIGNING BY MAIL PLEASE SEND TO [illegible]

Lafayette Sq. Loc 7

⑆:0 2 0: ⑈282 746 8⑈ 3-17-87 FM

DAN CONRAD, EXECUTIVE DIRECTOR
NATIONAL ENDOWMENT FOR THE
PRESERVATION OF LIBERTY
305 4th St NE
Washington, DC 20002
(202) 547-1986

March 12, 1986

Mr. Dan Conrad, Executive Director
National Endowment for the Preservation of Liberty
305 4th Street, NE
Washington, D. C. 20002

Dear Mr. Conrad:

As per our agreement please consider this letter as an invoice for consulting, research, and resource information from the Gulf and Caribbean Foundation. Please forward your contribution of $10,000 to my attention at the following address:

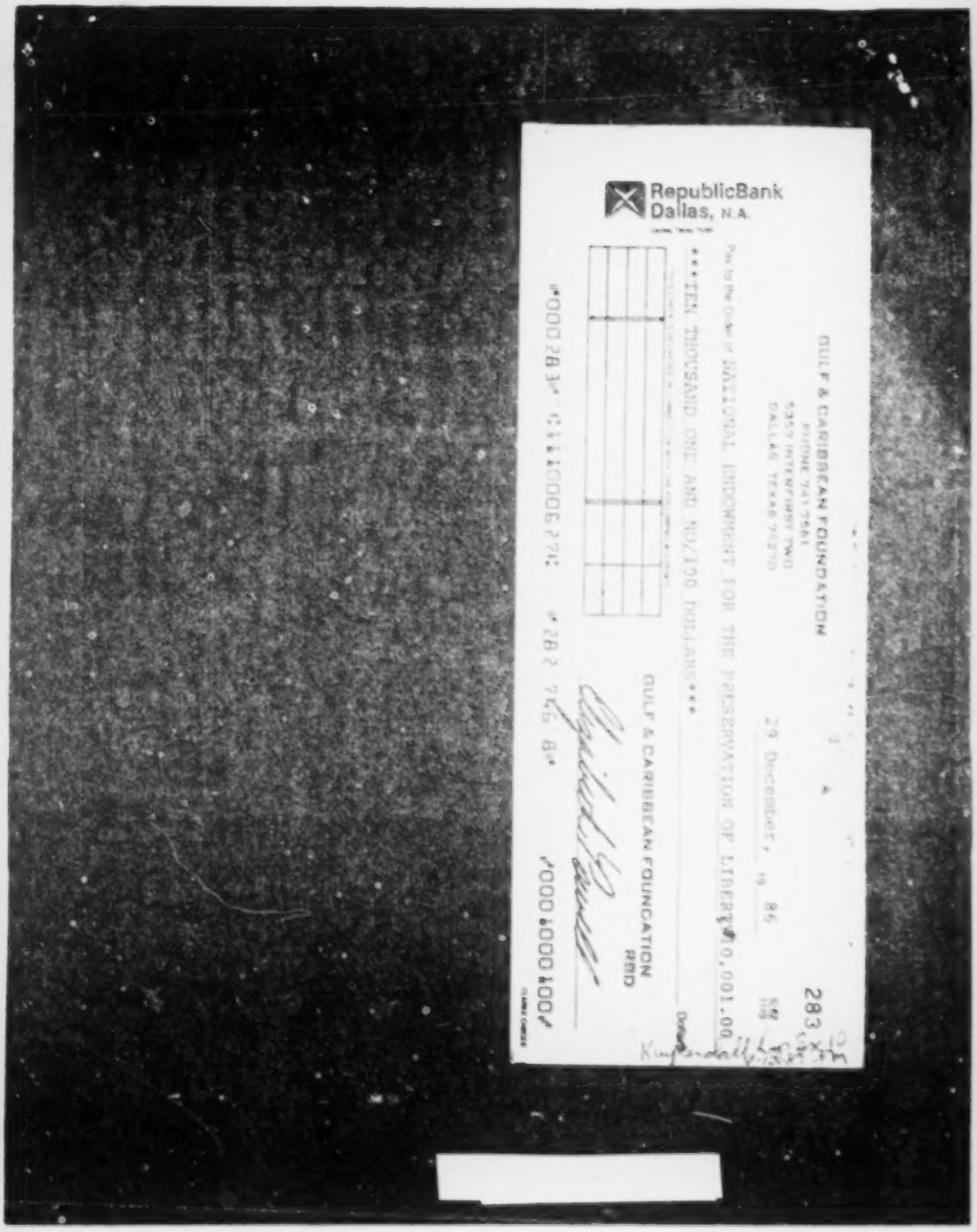
Gulf and Caribbean Foundation
P. O. Box 40841
Washington, D. C. 20016

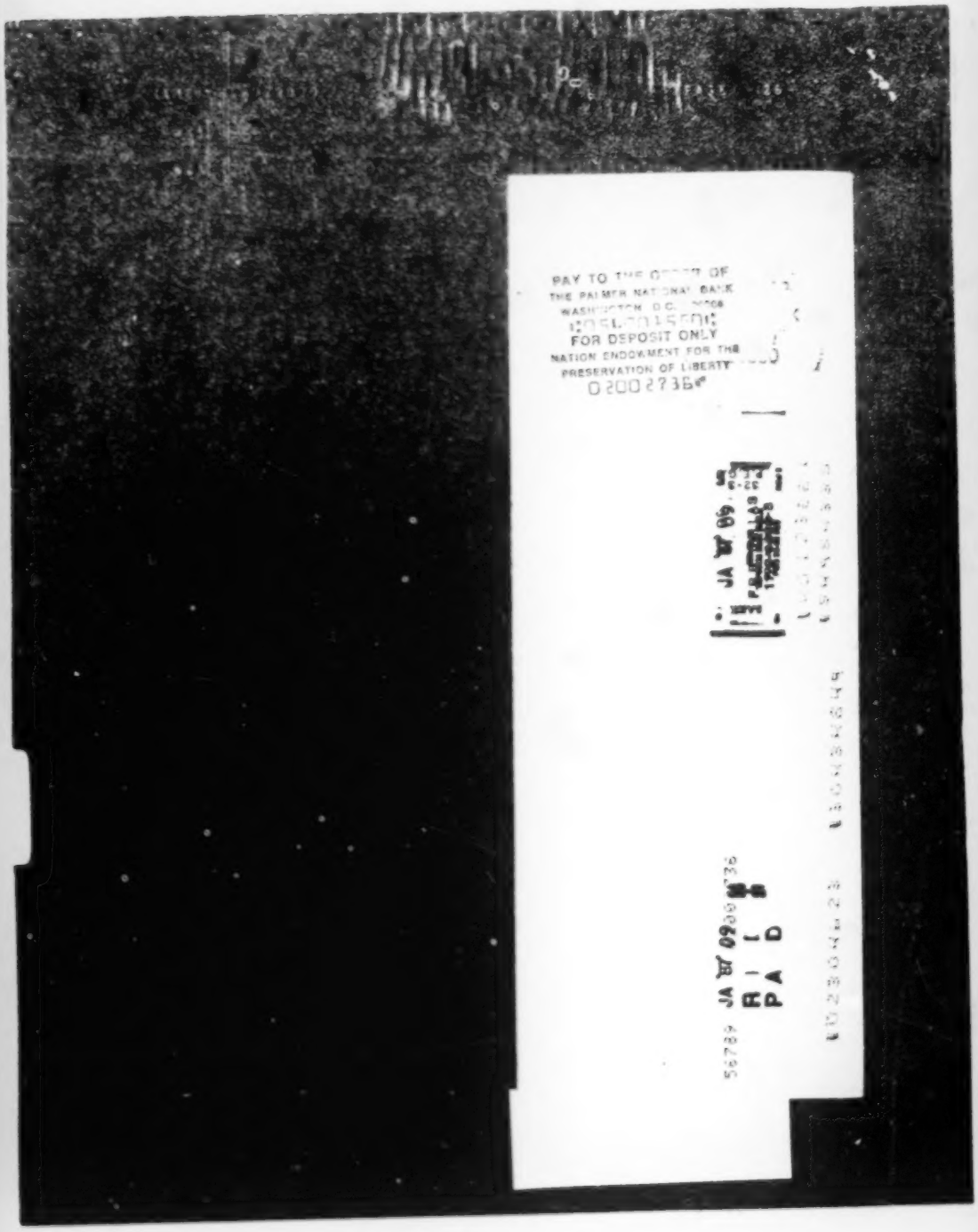
Very truly yours,

Dan Kuykendall

DK:lp

This sum covers our advisory & consulting contribution to the CONTRA aid effort for the remainder of 1986


RepublicBank
Dallas, N.A.
GULF & CARIBBEAN FOUNDATION
283
29 December, 19 85
Pay to the Order of NATIONAL ENDOWMENT FOR THE PRESERVATION OF LIBERTY
10,001.00
TEN THOUSAND ONE AND NO/100 DOLLARS
GULF & CARIBBEAN FOUNDATION
RED
"000028 3" "111000614 270" "282 765 8"
"000010,001.00"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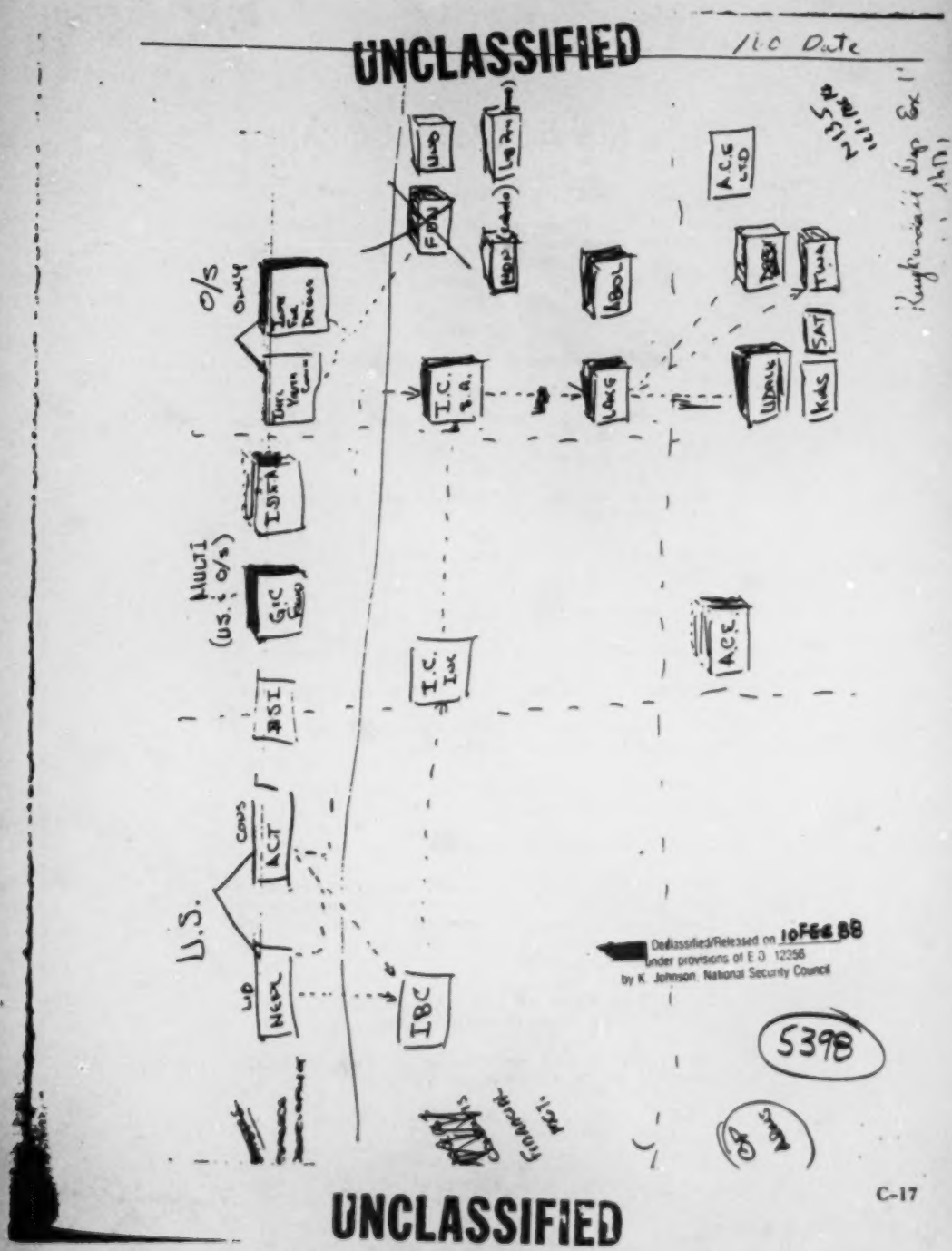
THE PALMER NATIONAL BANK
FOR DEPOSIT ONLY
NATION ENDOWMENT FOR THE
PRESERVATION OF LIBERTY
R I D
P A D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Declassified/Released on 10 FEB 88
under provisions of E.O. 12356
by K. Johnson, National Security Council
C-17
UNCLASSIFIED

KUYKENDALL COMPANY

March 26, 1986

MEMORANDUM TO: SPITZ CHANNEL
FROM: DAN KUYKENDALL
RE: PERFORMANCE OF KUYKENDALL, ET AL, FOR CONTRA AID VOTE IN U. S. HOUSE OF REPRESENTATIVES

I. The Kuykendall effort was made up of three different initiatives.

A. Personal escort and scheduling of Adolpho Calero and, to a lesser extent, Alphonso Robelo and others.

B. Reorganization, guidance, and monitoring of volunteer group.

C. Personal lobbying and congressional coordination by Dan Kuykendall

II. Scheduling of Adolpho Calero.

A. Republican Policy Committee - 40 members

B. Republican Study Committee - 25 members

C. East Coast Group: Congressman Jim Courter's office - 4 members

D. Leadership Group: Congressman Bob Livingston's office - 4 members

III. Contra Aid Volunteer Group.

A. Met together for kick off and briefing by Pat Buchanan, Ollie North, Congressman Trent Lott, Congressman Dick Cheney, Adlopho Calero, Alphonso Robelo, and Enrique Bermundez.

(1.) Eighteen of the top business lobbyists attended meeting.

B. Confirmed calls were made on the following members with designated results:

'Kuykendall Corp Ex'
3-12-87 JM

Page 2.
Memo To: Spitz Channel
From: Dan Kuykendall
Date: March 26, 1986

NAME	VOTE	INFLUENCE LEVEL*
Daniel, Dan	Y	3
Fascell	Y	3
Jones	Y	6
Robinson	Y	3
Tallon	Y	5
Biaggi	N	
Boner	N	
Hefner	N	
Pickle	N	
McKay	N	
Stallings	N	
Mazzoli	N	
Whitley	N	
Coughlin	Y	4
McKernan	Y	6-7
Gradison	Y	7-8
Roukema	Y	5
Rinaldo	Y	3
Green	N	
Horton	N	
Rowland	N	
Tauke	N	

IV. Personal Member Contacts by Dan Kuykendall:

Mica	Y	
Jones (Tenn)	N	
Cooper	N	
de la Garza	N	
Daniel, Dan	Y	
Coughlin	Y	
Meyers	Y	
Goodling	Y	
Regula	Y	
Schulze	Y	
Roukema	Y	
Smith, Denny	Y	
Smith, R. (Ore)	Y	
Frenzel	N	(Released)
Wylie	N	
Tauke	N	
Hopkins	N	

*Based on a scale of 1 to 10.

Memo To: Spitz Channel
From: Dan Kuykendall
Date: March 26, 1986

V. Summary

The performance of any group or idividual must, of course, be considered in the context of the total effort. It should be recognized that all the contacts referred to in this report are with the actual Member of Congress. Staff contacts are not referred to in this report.

The three "yea" votes that I have rated as 6 or more are ones where I feel that our influence was decisive. The other ratings of under 5 are those where I feel we contributed to the total effort.

I strongly feel that we have won the total effort since there is little doubt that we will prevail on the April 15 vote. Had it not been for the total NEPL effort the Speaker would not have had to promise a second vote to obtain the temporary victory on March 20.

July 23, 1986

Mr. Spitz Channell, President
The National Endowment for the Preservation of Liberty
305 4th Street, NE
Washington, D. C. 20002

Dear Spitz:

Now that we have gotten a favorable House vote on our first cooperative effort, I will take this opportunity to give you my analyis of the accomplishments.

In the Spring of 1985 the first attempt to obtain military aid to the Contras was decisively defeated with our receiving only 180 votes in the House.

Due to this very poor showing we were forced to change our tactics to seeking only humanitarian aid. Having been retained by the Gulf & Caribbean Foundation and private Texas clients I coordinated the outside (private) lobbying efforts to obtain this aid. We lost our first "showdown" (Michel I) by two votes but due to an intensive educational and lobbying effort we won approval of Michel II by sixty-three votes.

In late 1985 I had my first experience working in a voluntary coalition with NEPL and Spitz Channell. This was a result of our both using the services of IBC. In early 1986 Gulf & Caribbean received its first direct support from NEPL. This support enabled us to intensify our efforts to obtain military aid for the Contras.

It became very obvious to me that NEPL was the only organization with both the ability and the resources to run productive advertising on aid to the Contras. Some other groups actually did more harm than good with their advertising.

On our first try in March we were able to get 210 votes for military aid to the Contras, an improvement of thirty votes but still eight votes short.

The months of April, May, and June saw the most intensive educational and lobbying efforts by NEPL, Sentinal, and Gulf and Caribbean that this issue has ever received.

Kuykendall Exp. Ex B
a. 1, 87 mtg

We began the campaign with a target list of approximately forty members of Congress. About ten of them were considered "soft" even though we got their votes in March. The target list of forty was about one-quarter Republicans and three-quarters Democrat.

The educational type TV plus the various lobbying efforts began to shorten the undecided list to the point that two weeks before the vote we specifically targeted thirteen Congressmen for the last push TV effort. Efforts began in earnest to remove people from the undecided list and, therefore, enable us to cancel the TV in their markets. We withdrew TV in Louisville and San Antonio before the schedule actually began because of commitments from three members.

Since I was retained by Sentinal as Senior Consultant on June 1, I became even more involved in media and lobbying strategy.

Even though we continued to work hard on an additional ten undecideds until the very last, our estimated vote count on June 23 was 222 votes with a projection of an additional five Republicans and seven Democrats over and above the March total of 210. We actually received all the original 210 plus five additional Republican and six Democrats.

Immediately after our 221-210 victory on the President's package vs. the House Democratic leadership package, another interesting vote took place. A very liberal package with no military aid was offered against the President's package. Twelve to fourteen people, all of whom had been on our original undecided list, changed and voted for the President's package, including military aid.

All these last twelve to fourteen changes, plus the eleven additional votes we received on the initial vote on the President's package, were the successful targets of intensive educational and lobbying efforts. I can say with total confidence that our various combined efforts were a major factor in more than half of the total.

I am hopeful that this new relationship with its multifaced capability will bring us many more victories in the future.

Very truly yours,

Dan Kuykendall

DK:lp

Dotson/drg

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COPY NO. 1 OF 2 COPIES

DEPOSITION OF WILLIAM G. LANGTON

EXECUTIVE SESSION

Thursday, March 12, 1987

House of Representatives,

Select Committee to Investigate

Covert Arms Transactions with

Iran,

Washington, D.C.

The select committee met, pursuant to call, at 2:00 p.m., in Room B-336, Cannon House Office Building.

Partially Declassified/Released on 1-21-88
under provisions of E.O. 12356
by N. Menan, National Security Council

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MS. NAUGHTON: We are on the record.

This is the Langton Deposition, it is March 12, 1987. My name is Pamela Naughton, staff counsel to the House Select Committee on Covert Arms Transactions with Iran. And if the people in the room will identify themselves.

MR. LEON: My name is Richard Leon, I am Deputy Chief Minority Counsel for the House Select Committee.

MR. BUCK: My name is Kenneth Buck, and I am Assistant Minority Counsel for the same committee.

MR. BECKMAN: I am Robert M. Beckman, attorney for Southern Air Transport, Inc.

MR. LANGTON: William G. Langton, President of Southern Air Transport.

Whereupon,

WILLIAM G. LANGTON,

was called as a witness on behalf of Select Committee and, after having been first duly sworn, was examined and testified as follows:

MS. NAUGHTON: For the record, you have already received a copy of the rules of the committee, is that correct?

MR. BECKMAN: I have.

MS. NAUGHTON: And a copy of our House Resolution?

MR. BECKMAN: Yes, I have.

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EXAMINATION BY COUNSEL FOR THE SELECT COMMITTEE

BY MS. NAUGHTON:

Q So the record is clear, the information Mr. Langton will provide is confidential, because it is a business-type material that will be treated as if it is Executive Session material. However, it is not classified, and I explained to the reporter already before this that the deposition will not be classified, although we will treat it confidentially.

THE WITNESS: I appreciate that.

BY MS. NAUGHTON:

Q Could you give us your age please?

A I am 40.

MR. BECKMAN: Excuse me, ma'am. You mentioned, when we talked on the telephone, you might want us to put on the record why we are not providing the telephone records. Would you like us to do that at this time?

MS. NAUGHTON: Sure.

MR. BECKMAN: We were requested by the Chairman's letter, dated February 25, 1987, to provide, among other things in paragraph 6, all telephone tolls and SAT records of long-distance telephone calls, together with an explanation of the code numbers signifying the caller.

The Southern Air long distance calls are made mainly on Watts lines using a computer that stores the information on the number called and the caller within Southern Air in its

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memory, and that memory is routinely erased at the end of a month so that the period we had agreed to search, January, 1985 through October, 1986, was all unavailable.

We did, however, advise you that there were telephone records of the MCI calls and AT&T calls. The MCI bills do not have information signifying the caller, nor do the AT&T bills.

We could provide some identification based on the AT&T credit card number. However, each month's bill ran between 300 and 400 pages in length, and we indicated to you that unless we heard otherwise, we respectfully submitted this was more burden than would be justified by the limiting information that would become available.

MS. NAUGHTON: For the record, I agree with that, and if we have a specific question for a specific date or time or credit card number, we will get back to you and provide that specific information.

MR. BECKMAN: Thank you.

BY MS. NAUGHTON:

Q Mr. Langton, you told us your age is 40. Could you give us your address?

A [redacted] that is Miami, Florida.

Q Your home phone number please?

A [redacted]

Q Your social security number?

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A [redacted]

Q Is that the only number you have had, social security number?

A Yes.

Q Tell us what your educational background is please?

A I have a Bachelor's Degree in Business Administration from the University of Washington in Seattle.

Q Any post graduate work?

A I did some post graduate work at Pacific Lutheran, a few classes at various universities around the country.

Q Can you give us a rundown of your employment history?

A Upon graduation from the University, I worked for Flying Tigers Line in Los Angeles, '72 through '75. I then relocated to Seattle with Alaska Airlines, from '75 to '79, I think it was, Sunstrand Data Control, from '79 -- no, I guess '78 to '79. I left Alaska in '78, and then '79 through '83, Evergreen International Airlines.

Q From what, '78 --

A '79 through '83. And since May of '83, I have been with Southern Air Transport.

Q Let's start with the Flying Tiger employment. You were with them for how many years?

A Three years.

Q What was your position there?

A I was first an operations analyst, then I later becam

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operations and maintenance analyst, and later manager of fuel administration. I am sorry, fuel and off-route planning I think was the proper title.

Q During the time you were with Flying Tigers, did you know of any either contracts with or association between Flying Tigers and the Central Intelligence Agency?

A No.

Q Do you maintain any contact with anyone at Flying Tigers anymore?

A What do you mean by contact?

Q Have you talked to anyone at Flying Tigers in the past five years?

A Sure. I still have some acquaintances there.

Q Now, are you aware of, either through personal knowledge or otherwise, of any flights Flying Tigers have made to Iran?

A No, I am not.

Q Now, you mentioned you were with Evergreen for about four years?

A You mean recently?

Q I mean since 1979.

A No.

Q You mentioned you were with Evergreen for four years. Again, I will ask you the same questions. Were you aware of then, or are you aware of now any connection between Evergreen

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and the Central Intelligence Agency?

A No, I am not.

Q Did Evergreen ever perform any contracts of which you are aware with the Central Intelligence Agency?

A Not that I am aware of.

Q Did Evergreen perform contracts with the Department of Defense?

A Yes, they did.

Q What was the nature of those contracts?

A Log Air.

Q Do you want to explain that?

A Log Air is a pattern flight for the Department of Air Force. It's a re-distribution of general goods from air base to air base. It is a routine pattern clause.

Q Would those be classified necessarily?

A The -- no, I don't believe so.

Q I had another question for you regarding another carrier, Burlington Northern. Do they have an air unit that does charter flights?

A No, they do not.

Q They do not?

A No.

Q They are simply freight haulers?

A Yes.

Q Now, you started with Southern Air Transport in May

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of '83, is that correct?

A That is correct.

Q What is your title?

A I am President/Chief Operating Officer.

Q Do you own any stock in the corporation?

A No, I do not.

Q Do you have any other sources of income other than your salary from the Corporation?

A No, I do not. I am sorry, yes, I do. We have a bonus program, which is a source of income.

Q Is that an annual program?

A Yes, it is.

Q Is that paid from the profits of the Company?

A Paid from the profits of the Company, correct.

Q Have you held the same title throughout your employment with Southern Air Transport?

A Yes, I have. I never got promoted.

Q Why don't you just describe, in general, your duties at Southern Air Transport.

A I am Chief Operating Officer. I am responsible for the daily flight activity and the general running of the Company.

Q Were you aware when you went to work for Southern Air Transport that it had previously been owned by the CIA?

A Yes.

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Q How were you made aware of that?

A Just common knowledge in the industry.

Q At the time you went to work for Southern Air, did you have to go through any clearance process?

A Not at the time I went to work for the Company, no.

Q At a later time?

A Yes.

Q For what purpose?

A For our Log Air contract. A standard of any company that flies for Log Air is it must have a facility clearance, and its managment receives a Secret clearance check.

Q Is that done through the Department of Defense?

A I believe so.

Q Now, let's go right into the transactions in question the committee is concerned about, and I guess we should start once you became employed with Southern Air Transport in meeting Dick Gadd. Do you recall when you first met Mr. Gadd?

A Yes, I do.

Q When was that?

A Summer of 1983.

Q Had you known him prior to this?

A No, I didn't.

Q What were you told about him prior to meeting him?

A What do you mean?

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Q Did he just walk in off the street one day and introduce himself?

A No. I was introduced to him by Mr. Bastian.

Q What did Mr. Bastian tell you about Mr. Gadd?

A He was employed by Sumarico with which we had a contract.

Q Did Bastian say he was an employee or broker for the firm?

A I don't know.

Q He just said Gadd worked for Sumarico?

A He was President of Sumarico.

Q What was the nature of that contract?

A We had an agreement for which we provided an aircraft and trained flight crews and provided aircraft to Sumarico.

Q For what purpose did Sumarico need this training?

A The training was for our purposes, to assure the crews were of our standards and could be put in our --

Q So you leased your aircraft for thier use?

A That is correct.

Q For what purpose?

A They had a contract with, I believe, the Department of Defense.

Q Do you know who their contract was with in the Department of Defense?

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A I do not.

Q Did you ever meet with Mr. Gadd or any employees of the Department of Defense?

A No, I didn't.

Q Did he ever tell you what division that contract was with?

A No, he did not.

Q Do you know if it was with Air Force or Navy?

A I do not.

Q Where were these flights to go?

A I don't know.

Q Well, when he leased the aircraft from you, did you ask him where they were going?

A Some of the flights were within the Continental United States.

Q Were they all?

A I believe most of them were. I don't know for a fact that all of them were.

Q Did they haul anything on the flights?

A Not at all.

Q Did you get compensated by the hour?

A By the hour, yes.

Q Do you recall how long the contracts were for?

A The contract expired in May of 1986.

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BY MR. LEON:

Q When you say you don't know where the flights were, does that -- are you saying that you can't recall, or you didn't know then?

A I can't recall.

Q Is that something you could determine?

A Yes.

Q By looking back in records?

A Sure.

Q So if we were to ask you to look, would you be willing to look through your records to determine that?

A Yes.

Q Do you believe you still have those records to look through?

A I believe our flight records, yes. That is all we would have.

MR. BECKMAN: You can get the logs?

THE WITNESS: I think our flight logs are retained for five years, so I am sure they are available.

BY MS. NAUGHTON:

Q Mr. Langton, have you heard of the Delta Force?

A Yes, I have.

Q Did these flights have anything to do with the Delta Force, to your knowledge, whether it be hearsay or direct knowledge?

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MR. BECKMAN: Could we go off the record?

MS. NAUGHTON: Off the record.

(Discussion off the record.)

MS. NAUGHTON: You can go back on.

BY MS. NAUGHTON:

Q Do you recall how you received payment for these flights from Sumarico?

A Yes. We were paid by check.

Q From Sumarico?

A From Sumarico, correct.

MR. LEON: Could we have that spelled for the record, if you know how to spell it.

THE WITNESS: S-u-m-a-r-i-c-o.

BY MS. NAUGHTON:

Q Was there any problem in payment?

A Never.

Q Now, there came a point -- first of all, I am about to start [redacted] flights to Central America arranged by Mr. Gadd. I want to know, prior to this time, was there any other activity with Mr. Gadd other than the flights we have just discussed?

A No.

Q So the next enterprise by Mr. Gadd is the [redacted] Central America flight, is that correct?

A That is correct.

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Q Could you tell us how that came about?

A Which ones? The very first ones?

Q Well, the first flight occurred, do we agree, in January, 1985?

A We didn't perform a flight then --

Q Correct.

A -- but I was contacted by Mr. Gadd and asked if we could perform, which we could not, and we arranged for sub-service.

Q Do you recall when you were contacted by Mr. Gadd?

A December of '84.

Q What did he say he wanted done?

A He said he would like to have a charter [redacted] to, I believe it was [redacted] with Class C explosives.

Q Class C?

A Yes.

Q Did he tell you what for?

A No.

Q What kind of equipment did he need, what kind of airplane?

A He needed a jet to carry about 100,000 pounds.

Q Did he say for whom he was working?

A No, he did not.

Q Did you assume it was a government contract?

A No.

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Q Did you think it was a private contract?

A I didn't know.

Q Do you recall when he had -- excuse me, where you were when you had this discussion?

A I think I was in my office.

Q He called you on the phone?

A Yes.

Q And what did you tell him regarding these flights he wanted to do?

A I told him I would love to do it on a Herc. That's all we had.

Q That is the Hercules aircraft?

A Yes.

Q What was his response?

A He thought that would be great, but he didn't want to pay the price because it would take two Hercs to do the job of one jet. So it was very simple. I couldn't help him.

Q When he first approached you about this, did he ask for just one flight, or was it going to be a series of flights?

A I believe it was just one flight.

Q And when he rejected the idea about using the Hercules aircraft, what did you suggest?

A That he find a jet.

Q And what did he say?

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A He said, can you help me?

Q And did you?

A Yes.

Q And how did you help?

A Turned it over to the Vice President of Operations, Dave Mulligan, and he sub-serviced it with Arrow Air.

Q Did your company receive a commission?

A I hope so. I don't know for a fact, but I hope so. We should have.

Q Why arrange with Arrow Air? Why them and not someone else?

A No reason. They were just available. I know we made several phone calls to different carriers to see who had availability of aircraft, and they happened to have it.

Q Do you know personally the man who owns Arrow Air?

A Do I know him personally?

Q Do you know the owner -- first of all, do you know who the owner of Arrow Air is?

A George Baskin.

Q Do you know him personally?

A Yes.

Q Are you aware of any other air carriers that he owns?

A Well, at that time I believe he owned Capitol.

What else was available? I don't know. That is the only one I can remember at the time. They may have been out of

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business by that time.

Q Have you ever heard of International Air Leasing?

A Yes.

Q Does he own that?

A I believe he owns it, but I don't know for a fact.

Q What kind of work do they do?

A They are a leasing company.

Q Same as Arrow Air?

A No. Arrow Air is an operating company.

Q Could you explain that for us?

A Which?

Q The difference.

A Between a leasing company and an operating company?

Q What does a leasing company do?

A They drive leased airplanes. They are a financial organization. That is basically all they are. They have assets and lease them for a rate of return.

Q Do you know whether International Air Leasing has done work for the CIA?

A I do not.

Q Do you know whether Arrow Air has done leasing?

A I do not.

Q Do you know whether or not Arrow Air has flown any flights to Iran since 1979?

A I do not.

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Q How about, do you know whether or not Arrow Air has flown any flights to the Contras in Nicaragua or around Nicaragua since the [redacted] flights?

A I don't know.

Q Now, what was your personal involvement with these [redacted] flights, if any? Could you describe that?

A The initial one was just simply getting the phone call, and they turned it over to Mr. Mulligan.

Q Did Mr. Mulligan report back to you?

A Yes.

Q What did he tell you?

A He said he had arranged with Arrow to sub-service the flight, and it went smoothly.

Q He told you it went smoothly?

A Yes.

Q He didn't tell you there were any problems?

A Not that I can recall.

I take that back. There was one. They were late.

Q Who was late?

A Arrow.

Q With what?

A They ran a common carriage operation between New York and San Juan, and they were delayed almost 12 hours, if I recall, coming off of that before they were available to do the charter.

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Q Arriving [redacted]

A Late, yes.

Q Did he mention any other problems in loading?

A No.

Q Do you happen to know where [redacted] -- now, I am speaking about all [redacted] flights generically for a minute. Do you know where these airplanes were actually loaded [redacted] In other words, there are several runways at the airport; there is civilian, military, there is [redacted] Do you know which were used?

A No, I do not.

Q Who would have that information?

A Gees, I suppose one of the crew members that were there would know where we were loaded.

Q That doesn't narrow it down too much for us. Can you tell us how we should frame our inquiry to your company so that we could get that information?

A I think if you asked specifically where the aircraft was loaded, I will get you the answer. A specific location.

BY MR. LEON:

Q Would your flight logs indicate who the pilot was that day?

A Flight logs would indicate it, yes.

Q Would the flight logs indicate where it was loaded?

A The flight log would indicate who the pilot was.

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That would be it.

Q Perhaps the pilot would recall?

A That is what I just said. I could check with a few of them and see if they recall exactly -- I am not familiar with the airport, so we would have to get a jet chart out and have them point.

BY MS. NAUGHTON:

Q Did Mr. Gadd call you after that first flight in January to arrange for any more flights [redacted] to Central America?

A Yes. He asked us to do another one, I think it was in March of '85.

Q How did this come about?

A Phone call. Same thing. He said "I will give Dave a call and see what he can do."

Q How did Mr. Gadd pay for the first flight?

A Check.

Q From Sumarico?

A I believe we got a check.

Q From Sumarico?

A I don't know.

Q If you received a check, whose account would you have credited?

A We would have credited Southern Air's account, and then we would have charged, written a check for Arrow's account

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Q What I am saying, when the money would have come in from Mr. Gadd, whose account would have been credited for receiving that?

A Mr. Gadd's account.

Q But he didn't have a personal account with your company.

A It was Sumarico and later became East. Whatever company it was at that time is the one that would have gotten charged.

Q Did you know at this point, in January, 1985, whether he was East or whether he was Sumarico?

A I don't recall. I don't recall which one he was. I know there was a name change, but I don't know when.

Q When you say there was a name change, is it your understanding they are one and the same company?

A Yes. Just a name change.

Q Do you know why there was a name change?

To your information, who owns East?

A I don't know.

Q Do you know who owns Sumarico?

A No, I do not.

Q Now, to your knowledge, did the first flight, that is the January, '85 flight, land in [redacted]

I don't know.

Q Do you know who accepted delivery?

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A. I do not.

Q On the subsequent flights that SAT flew [redacted] to Central America, where would the records be of the landings; in other words, where did the plane actually land?

A On the flight record.

Q Are those completed after the flight is performed?

A Yes, right.

Q So if for some reason, for some emergency, some reason, the pilot had to sit down in a place other than he had planned on, that would be recorded in the flight --

A Yes, it would.

Q If you would wait until I finish my question, he can get the answer down. He can't get it when we are both talking.

A I thought it was a statement.

Q If you wait, the question mark will be at the end.

So the plan that the pilot might file or should file before the flight actually takes off might be different from where he indeed flies if there is some emergency or some reason to put down in another spot, is that right?

A That is correct.

Q Now let's go to the second flight then in March of '85. You said Mr. Gadd called you again for the same reason, and you again directed him to Mr. Mulligan, is that correct?

A That is correct.

Q What happened then?

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A He flew the charter, sub-service charter by Arrow.

Q Whose idea was it to call Arrow again?

A I imagine Mr. Mulligan's, I don't know.

Q You didn't direct him to call Arrow?

A No.

Q Do you know why he called Arrow if he had had less than adequate service from him before?

A I don't know that was the only one he called. I just don't know.

Q Okay. Do you know what sort of plane they used?

A Yes. They used a DC-8.

Q How do you know that?

A I was told.

Q By whom?

A By Mr. Mulligan.

Q And where did they pick up [redacted] on this flight, do you know?

A No, I do not.

Q Where did they land on this flight?

A I don't know.

Q And how was your company paid for the March, '85 flight?

A The same way as the January flight.

BY MR. LEON:

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Q Let me ask you this, Mr. Langton. Would you have

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known -- before you asked Mulligan to arrange for the sub-contract with Arrow, would you have known where they intended to fly to? Is that the kind of thing Mulligan would have told you, or Gadd would have told you?

A Sure.

Q If they had told you they were flying to a place that you don't normally fly to, would you remember that?

A Probably.

Q Were there some places in Central America where you either didn't normally fly or wouldn't fly to?

A We do charters all the time.

Q Let me give you an example. Back there at that time, did you have any flights to Nicaragua?

A No, we didn't.

Q If someone had come in asking for you to do a deal with them where you would fly something to Nicaragua, would that have caused you to pause?

A It most certainly would.

Q Okay. So do you think it is probably safe to say this wasn't a flight to Nicaragua?

A That would be a safe assumption.

Q But you could check this anyway in your records, is that right?

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A Well, we don't have the records. We didn't fly the flights, so we wouldn't have any records. Arrow would as

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to what they flew.

Q How about back at that time, Costa Rica, were you doing deals with flights to Costa Rica?

A I believe so.

Q So that might not necessarily have caught your attention.

A No.

Q How about El Salvador back at that time?

A We did flights there as well.

Q Kow about Honduras back at that time?

A Yes.

Q So you are not recalling today, if it had been a flight to one of those three countries, Costa Rica, Honduras or El Salvador, it might be because it wouldn't have been an uncommon flight at that time.

A No, it was a straightforward charter. We do them all the time. I just don't recall exactly where the destination was. I don't have the records for it, so I am sorry, I can't help you.

Q But it would have been flagged in your mind and Mulligan's mind if it was a place you didn't normally go to.

A It would stand out. It sure would.

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BY MS. NAUGHTON:

Q After the March, 1985 flight by Arrow Air, when was your next contact with Mr. Gadd regarding any more [redacted]

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Central America flights?

A In December of '85.

Q And what happened in December of '85?

A He asked for another flight.

Q To the best of your recollection, tell me what he told you.

A He called me and asked if we could perform a flight with class C explosives [redacted] to Central America. They said, certainly you have a plane to do the job.

Q You since acquired an airplane?

A Since acquired an airplane.

Q What type of airplane?

A Boeing 707C.

Q Would you explain to me the difference between a class C explosive and class A explosive?

A I can't. There is all kinds of categories of explosives, and I really don't know the difference between the two.

Q Who filled out the hazard materials form?

A The consignee would.

Q That would be Gadd's responsibility?

A No, probably the customer, whoever that was, in [redacted]. Whoever the shipper was would fill out all the proper paperwork.

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Q Now, Mr. Langton, is it your position, then, that

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as carrier you had no responsibility to any Federal agency to complete any form?

A Our responsibility is to assure there is proper paperwork with all shipments, yes. Then we fill them out.

Q My question is to you then: Who filled out the hazard materials, the Department of Transportation hazard materials?

A This is a foreign flight.

Q So then --

A Nothing touched the U.S., so I am not even sure we were required to fill out any DOT hazard materials. There would have been a notification requirement. I don't know what all our requirements are on a foreign flight such as that. But whatever they were, they would have been filled out properly or we couldn't take the trip.

Q If the customer were to fill them out, who was the customer?

A As I said, I don't know.

Q Well, your statement is then --

A Mr. Gadd is a broker.

Q Your statement is then that your planes were carrying hazard materials, it was not your job to fill out the paperwork, but you don't know whose it was?

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A My statement is we had a charter. They constantly would fill out all the paperwork, and we would fly the charter.

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We would fill out our portion, and they would fill out theirs.

Q Would you have a copy of that?

A No.

Q You would not keep a copy?

A We were required to keep that paperwork for 90 days, and it is routinely destroyed.

Q Who requires you keep it for 90 days?

A DOT.

Q Do you know what sorts of explosives these were?

A No, I do not.

Q Were they for commercial or military use?

A I do not know.

Q Did you ask?

A No, I didn't.

Q Why not?

A I don't know why I would.

Q Well, wouldn't it concern you if they were carrying dangerous materials on your aircraft?

A We routinely carry explosives around the world. That is the business we are in.

Q Do you take special precautions or special safety arrangements?

A Yes, we do.

Q Do you then not have to know the type of material and substances you are carrying?

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A Yes. Right.

Q Then I ask you again: Did you know or did you ask what type of substances were being carried?

A I did not.

Q Who would have asked that question?

A Probably Dave Mulligan.

Q Anyone else?

A Bob Parison.

Q Bob who?

A Parison.

Q Could you spell that?

A P-a-r-i-s-o-n. Director of Operations.

BY MR. LEON:

Q Is that because, Mr. Langton, they would have to assure that the packaging was adequate to assure it didn't go off in mid air or something like that?

A That is correct.

Q That was their responsibility?

A That is their responsibility to be sure that everything is done according to our regulations.

Q Is it common for you to get involved in the details of that kind, of making sure the packaging is proper, or whatever?

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A I don't normally get involved in those details, no.

Q Let me ask you this: Since you have been with Southern

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Air, going on quite a few years now, at least three years, fou years, have you had any occasions where you got involved becau of the packaging before they put it on the plane or while they were putting it on the plant, it was inadequate, and they wanted to abort the mission because -- can you recall that happening?

A No, I can't.

BY MS. NAUGHTON:

Q Do you know where these came from?

A I do not know.

Q Were they U.S. made?

A I do not know.

Q Who besides Mr. Gadd would know?

A You would have to ask the crews [redacted] if they saw anything on it.

MR. BECKMAN: The consignor might know?

THE WITNESS: The consignor or consignee would know.

BY MS. NAUGHTON:

Q But you don't know who those people are, is that correct?

A I don't know for a fact. I was told it was defects [redacted].

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Q Did Mr. Mulligan tell you that or Mr. Gadd?

A Mr. Mulligan told me that.

Q Did Mr. Mulligan explain to you the difficulties he had in having to call defects and so forth?

A No. I didn't know we had any difficulties.

Q What do you know about defects?

A Nothing.

Q Well, you just brought up the name, so is all you know about defects what Mr. Mulligan told you?

A Yes.

Q How were you paid by Mr. Gadd for all these flights? Is it your testimony it was by check?

A No, that is not my testimony. It was by check or wire transfer. I really don't know how we were paid. I know we were paid.

Q Were you paid the entire balance?

A Yes.

Q And on time?

A Yes.

Q Do you know what Trans World Arms, Incorporated, is?

A No, I do not.

Q Have you ever heard of that company?

A Not to the best of my knowledge.

Q When was -- did you fly a flight for Gadd from [redacted] to Central America in December of '85?

A Yes.

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Q That was a SAT plane?

A That was a SAT plane, yes.

Q Was a flight plan filed?

A Yes.

Q Where did the plane land?

A I don't know. I don't have it in front of me.

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Q All right. Could you check that this evening and come back tomorrow and tell us?

A Sure.

MR. BECKMAN: How can you check this evening?

THE WITNESS: I will call the office and tell them to pull the flight.

MR. BECKMAN: Is there going to be somebody there this evening?

THE WITNESS: There is somebody there 24 hours a day.

MR. BECKMAN: What is it we are going to get?

THE WITNESS: We are going to get the December '85 flight plan for the Boeing from [redacted] to whatever.

MR. LEON: Whoever the pilot was.

MR. BECKMAN: Are you sure we haven't provided this?

THE WITNESS: You did provide it. But I'll call the office.

MS. NAUGHTON: There is a blank in that. I wouldn't have asked the questions otherwise.

MR. BECKMAN: Could you show it to us?

MS. NAUGHTON: I have stacks of documents. I couldn't haul them all over here.

THE WITNESS: There cannot be a blank.

MR. BECKMAN: Can we go off the record a second?

MS. NAUGHTON: Yes.

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(Discussion off the record.)

MS. NAUGHTON: Can we go back on.

BY MS. NAUGHTON:

Q Now, after December of '85 did you make any more flights for Mr. Gadd [redacted] to Central America?

A Yes.

Q Do you recall when those were?

A No, I don't, not off the top of my head.

Q Would that have been February 7th through 9th of 1986?

A Could have.

MR. BECKMAN: What is this?

THE WITNESS: She is asking me about the next flight.

BY MS. NAUGHTON:

Q Mr. Langton, your attorney has provided a chronology of these flights. Did you review that with them --

A Yes, yes.

Q Could you wait until I finish the question.

Did you review that with them prior to them submitting it to this Select Committee?

A I did not, no.

Q Have you seen it since its submission?

A Yes, I have.

Q And is there anything in there that to your knowledge is incorrect?

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A I think I had better see specifically what you are referring to. What I have looked at is factual.

Q Okay.

MR. BECKMAN: In fact, you told me about one thing there you couldn't agree with, something I had in there happening in January.

BY MS. NAUGHTON:

Q I would like to show you -- it has not been numbered, but it is a chronology prepared by Mr. Beckman's office, dated January 23, 1987. Do you recognize that chronology?

A Yes, I do.

Q Now, correct me if I'm wrong, Mr. Langton. My information is that on February 7th through 9th that your company performed a flight for Mr. Gadd [redacted] to Central America landing [redacted] Is that correct?

Off the record.

(Discussion off the record.)

MS. NAUGHTON: Let's go back on the record.

BY MS. NAUGHTON:

Q Mr. Langton, are you aware of a flight on March 2, 1986 which landed at [redacted] by SAT?

A Yes, I am.

Q Could you tell us about that?

A It was a routine charter.

Q For whom?

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A For Mr. Gadd.

Q Where did it originate?

A I believe [redacted]

Q So it was part of these flights that we have been discussing?

A Yes, it was one of those flights.

Q All right. To your knowledge had you landed at [redacted] for any other customer during 1986?

A Yes. I believe we have landed there for our MAC flights.

Q Those are Department of Defense flights, and that is MAC for the record; is that correct?

A That's correct.

Q So the March 2 entry could have been for Department of Defense flights; is that correct?

A No, that's not correct.

Q All right. How do you know it was a Gadd flight?

A It went [redacted] to Central America. We don't fly international foreign flights for the Department of Defense.

Q Okay. Good.

Go ahead, did you want to --

A I mean it is to foreign locations, we don't do it for the Department of Defense.

Q What would Mr. Gadd or your operations people need to

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do to land at a U.S. Air Force Base?

A We would need to receive clearances.

Q And when is that accomplished? Prior to the time the flight is in the air?

A Usually, yes.

Q And could you tell me how that is done?

A I cannot. The director of operations would have to answer that.

Q Who would obtain the clearance? Would that be your company or would it have been Mr. Gadd who made that arrangement?

A It would be our responsibility to assure clearances have been received, and it could have been done by us or verified by us.

MR. BECKMAN: Excuse me. I might be able to be helpful here because the witness and you might be on slightly different wavelengths. Are you asking more than contact the Air Force Base in advance, telling them you want to land and have them tell you you cannot? That much you know yourself, right?

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THE WITNESS: Yes.

MR. BECKMAN: But you are thinking Ms. Naughton might be asking for something more detailed and precise than that.

THE WITNESS: We would make sure we have landing rights wherever we are going before we depart. That would be

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the normal procedure.

MR. BECKMAN: And these landing rights could be in a telex message?

THE WITNESS: Sure. Normally are.

BY MS. NAUGHTON:

Q My question is: Is there anything special that has to be done to land at a U.S. Air Force Base?

A Nothing more special than contacting and asking for landing approvals.

Q All right. Do you have to tell them what the nature of your flight is?

A Yes.

Q All right. And do you recall for this particular flight what the Air Force was told was the nature of the flight?

A No, I do not.

Q Would Mr. Mulligan know that?

A Possibly.

BY MR. LEON:

Q Let me ask you this, Mr. Langton. Do you fly into U.S. Air Force Bases when you are not flying on U.S. Department of Defense business?

A Seldom.

Q What kind of circumstances or what kind of situations have you done that where it wasn't on Department of Defense

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business?

A A diversion.

Q Could you explain what that means.

A We may have a weather diversion and that may be the only base, air strip to divert into or there may be -- other than the Department of Defense movement, like the Department of Interior, State Department, other government agencies.

Q Let's put it this way. Can you recall under what circumstances, other than a diversion because of weather or you were on government-related business, where you did land at a U.S. Government Air Base?

A Repeat that.

Q All right. Other than when you were flying on a U.S. Government contract, either for the Department of Defense or some other agency of the Government, other than that and other than the circumstances surrounding a weather diversion, can you think of any other situations where your planes have landed on U.S. Air Force Bases or U.S. Bases other than this one here involving --

A I cannot, no.

Q Other than this situation here involving Mr. Gadd's request.

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So, in other words, this was pretty unique?

MR. BECKMAN: Excuse me. You haven't established

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from the witness whether this was or was not a government operation. Are you assuming you have already established that Mr. Langton knows for whom Mr. Gadd was operating?

MR. LEON: Oh, I shouldn't assume that, of course.

MR. BECKMAN: Make the record complete.

BY MR. LEON:

Q Do you know or did you know then -- do you know now or did you know then on whose behalf Mr. Gadd was operating?

A No, I do not.

Q But when you went to the Air Force Base to request authorization to land, did you inform them on whose behalf you were delivering the materials?

A Let me clarify one thing. I don't sit down in the operations center and arrange for flight clearances, et cetera. So I don't know any of this. [redacted] I don't know.

MR. BECKMAN: Is it conceivable Gadd arranged it?

THE WITNESS: It is very conceivable. Often our customers will arrange for clearances and all we need is a verification that it has been done. That is enough to satisfy us.

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BY MR. LEON:

Q Would you note that somewhere in your records, that

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you had received the verification?

A Well, the very fact that we arrived and landed and left --

MR. BECKMAN: Without being shut down.

THE WITNESS: -- would indicate we received the clearance.

BY MR. LEON:

Q Do you get them usually orally over the phone or in writing?

A Most of them are on a telex copy, but there are occasions when we get it orally.

Q Do you keep those on the telex copies?

A We keep it in the flight log and then they are routinely destroyed after 90 days.

Q Is it entered onto the flight log?

A No. I don't think there is a box there.

BY MS. NAUGHTON:

Q Now, by this time, Mr. Langton, you had done business with Mr. Gadd for about a year and a half or more; is that correct?

A That's correct.

Q And what sort of relationship did you have with Mr. Gadd?

A Define relationship. What do you mean?

Q Did you have a friendship with Mr. Gadd as well as

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business association?

A What do you mean by friendship?

Q All right. Did you ever meet socially with Mr. Gadd?

A No.

Q Did you ever have dinner with Mr. Gadd?

A Yes.

Q All right. But you consider those business dinners?

A Yes, I do.

Q All right. Did you ever attend a sporting contest with Mr. Gadd?

A I don't think so.

Q Did you ever play golf with Mr. Gadd?

A No.

Q Did you ever attend a cocktail party with Mr. Gadd?

A I believe so.

Q Could you tell me when and where?

A It was at Mr. Bastian's house, and I have no idea when that was, but it was a business cocktail party we had. I cannot recall when it was now.

Q Is that the only cocktail party you ever attended with Mr. Gadd?

A Yes.

Q Approximately how often did you speak to Mr. Gadd, let's say in a month's period of time?

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A Which month?

Q Well, would it depend then --

A Yes.

Q -- are you saying, on the kind of business you were doing?

A Right.

Q How often did you visit his offices?

A Very seldom.

Q Could you give me a ballpark figure?

A Numeric number?

Q Yes.

A Five.

Q Where were his offices?

A In Vienna.

Q Virginia?

A Virginia, yes.

Q Now, did there come a period of time at which Mr. Gadd approached you and Mr. Bastian regarding supplying the Contras in Nicaragua?

A What do you mean "supplying"?

Q Well, doing anything to help the cause of the Contras?

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A Yes.

Q Could you tell us how that came about?

A Yes. He gave Mr. Gadd a call on the phone, said he

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had an issue which he felt was important and wished to discuss and wished to come to Miami, and I said please come to Miami.

Q Do you recall approximately when this was?

A I believe it was in the mid fall of '85.

Q Where did you meet?

A We met at Mr. Bastian's house.

Q Why?

A I'm not sure. I think Mr. Bastian was sick that day.

Q Who else was there?

A Mr. Gadd, Mr. Bastian and myself.

Q Was Mrs. Bastian at home?

A She was at home.

Q What time of day was this meeting?

A It was in the afternoon, approximately two o'clock.

Q And what did Mr. Gadd tell you?

A Mr. Gadd explained that there was some private investors who were interested in setting up a resupply operation in Central America to assist the Contras. He wanted to know our interest in participation.

Q What did he want you to do?

A He asked us if we would set up that operation.

Q What do you mean, set up the operation? What does that mean?

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A That means go down, set up a maintenance base and

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fly aircraft.

Q Where was this to be set up?

A He didn't have the location yet.

Q Where were you going to fly to?

A To the Contras.

Q In Nicaragua?

A Not specifically.

Q All right. To where were you to fly?

A Wherever the Contras were.

Q So if they were in Nicaragua, did he want you to fly into Nicaragua?

A Yes.

Q What kind of aircraft did he say this would take?

A He didn't have an aircraft.

Q All right. So he wanted to lease yours; is that correct?

A No. He wanted us to -- his first -- to put it simply, his request was could we go down and set up this operation. It would require buying airplanes, it would require setting up a maintenance base, it would require hiring mechanics, et cetera. We said no.

Q Now, when you say "we" --

A Mr. Bastian and myself.

Q Both of you were in agreement?

A Yes.

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Q Why did you say no?

A Because that -- we were in the midst of major growth in the company. It would take a tremendous amount of time and talent away from our mainstream business to do this, and we did not want to divert our attention.

Q Wouldn't this have been a very lucrative thing for Southern Air?

A I don't know.

Q Did you discuss money?

A Yes.

Q What did you discuss about it?

A We discussed what kind of capitalization they had, and Mr. Gadd really had no idea. There was private funding. He didn't know how much there was. He knew it was going to be very tight.

Q Did he give you any figures?

A No.

Q None at all?

A No.

Q Now, when he said private funding, did he give you any indication specifically where the money was coming from?

A No.

Q Did you ask him?

A No.

Q Did he say why he --

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A He was asked to.

Q By who?

A I don't know.

Q Had you met Mr. Secord at this time?

A No.

Q Had you heard of Mr. Secord before?

A Never heard of him.

Q Did Mr. Gadd indicate who had asked him? Did he indicate this was supported by anyone in the government or anyone in authority?

A It was very clear this was a private enterprise program. He did indicate the Federal Government was very much supportive of it and was hopeful it could be set up and quickly assist the Contras survive it. At that time there was dire need, they were unable to receive the supplies, the little supplies that they did have, and all was not going well for them.

Q Did he expect government monies would soon take over?

A He specifically said -- I'm sorry. Yes. He expressed that he felt in due time government money would take over. This was a bridge. It was purely a bridge to keep them alive until the funds started flowing.

Q You were about to say he specifically said something. What was that?

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A I thought you had asked me if he had said government money would be injected into this operation, and he specifically said that it was prohibited by the Boland Act, no government money would be injected, and that's why private enterprise was stepping forward to try to breach this gap.

Q Did he say that they had already established some sort of supply network or was this definitely from the scratch concept?

A It was my impression that it was starting from scratch.

Q Did he ever mention the use of foreign national pilots that had been used in 1985 to supply the Contras?

A No. No.

Q Did he give you any specifics at that time as to what had been going on, who was supplying them at that particular time?

A No, he didn't.

BY MR. LEON:

Q Did he give you any idea where you would be landing your planes?

A Not yet. Not yet. Not in that conversation.

Q Were you worried about them being shot down?

A I wasn't worried about anything. It was a conceptual problem and that was to resupply, in-country resupply.

Q I don't think I follow you. What do you mean by a

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conceptual problem? Could you explain that a little?

A There were no airplanes, there was no operation. What he was asking is could this be set up and could you set it up. The answer is no, I can't set it up, so I had no worry about airplanes.

Q You didn't even get to the point of thinking about the problems of trying to land in a war zone?

A No.

BY MS. NAUGHTON:

Q Did Mr. Gadd at that meeting indicate how you would be paid, what mechanism would be used?

A Only that it would be funded with private funding and that would pay for the operation.

Q So did you discuss whether it would be an hourly basis or monthly stipend?

A Yes.

Q What was discussed?

A Simply that. How could you structure it? In our business you can pay by the hour, if you have sufficient hours, or if you don't know what the hourly activity is, you would probably go on to a day charge and then an hourly rate.

Q What did he say to that?

A He didn't know. He didn't know what the scope of it would be. He was trying to find out from us what we would be willing to do and how we could fit into it.

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Q Did he tell you or did you get the impression he had spoken to any other companies about this?

A I didn't. Neither of those was a point of discussion.

Q Did you discuss insurance?

A No.

Q Now, when you turned him down --

A I think we did discuss insurance, said you got to have insurance. I think we said you have to have landing rights, you have to have all -- all of those things have to be established or you can't even perform.

Q Did you discuss under what flag the ships would be flying?

A We did. We said you got to have a flag.

Q And what was his response?

A That would all be taken care of.

Q By whom?

A He didn't say.

Q Has Southern Air flown under other flags?

A Not that I am aware of.

Q All right. If he had asked you to fly under another flag, would that have been unusual?

A It would be unusual, yes.

Q Would you do it?

A I don't know, I would have to --

MR. BECKMAN: I think, again, you are getting on

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different wavelengths because if an airplane is registered in one country, are you asking whether Southern Air as a hypothetical would consider falsifying the certification --

MS. NAUGHTON: No.

MR. BECKMAN: I didn't think you were.

BY MR. NAUGHTON:

Q To your knowledge, during your presidency at Southern Air, has the nomenclature ever been taken off any of your aircraft?

A The name?

Q The name or the number.

A I know we have taken the name off. I just got through doing that and put another name on, which is my customer's name. We would do that for a long-term contract. If they want the airplane painted in their colors, that's fine with me.

Q But what about a blank airplane with no nomenclature on them?

MR. BECKMAN: Do you know the N number? Is that meaningful to you?

MS. NAUGHTON: Yes, I understand what you say when you say N number. Let's take it one at a time.

BY MS. NAUGHTON:

Q Has SAT ever flown an SAT plane with no logo, nothing on it but an N number?

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A Yes. We flew it for years.

Q When?

A Before I got there.

Q Why?

A Because they didn't want to spend the money to paint the airplane. One of the very first things we did was start to paint the airplanes.

Q When you say "we," who do you mean?

A The previous managers, Mr. Grundy, Mr. Bastian.

Q When you first got there the planes had no markings on them?

A They were just as clean as chrome. I mean it was just a metal airplane with an N number on it.

Q My question is: Once you assumed the presidency, to your knowledge for any mission was the nomenclature of a plane completely taken off and another substituted for it?

A Not that I am aware of.

Q Now, after this meeting, this initial meeting betwee Mr. Gadd, Mr. Bastian and yourself in Mr. Bastian's home, how was the meeting left? In other words, did you tell Mr. Gadd absolutely not or did you leave the door open?

A We left the door open.

Q And did he come back to you with a counterproposal?

A He asked us to come to Washington where we could talk about what roles we could play, and what it really boiled

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down to was our technical expertise was for hire and we provided that.

BY MR. LEON:

Q Had he implied to you in any way, Mr. Langton, or stated directly, either stated directly or implied to you that if you were to get involved in this kind of a project it would be favorable or helpful to Southern Air down the road in getting government contracts later on?

A No.

BY MS. NAUGHTON:

Q Now, after he invited you to come to D.C. did you go?

A Yes, we did.

Q Who went?

A Mr. Bastian and myself.

Q Do you recall when this was?

A No, I don't.

Q Do you recall how long after the initial meeting in the fall of '85? Was it one month later? Was it a year later?

A It was more like a month later.

Q Okay. Did anyone else go besides you and Mr. Bastian?

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A No.

Q What was discussed then at that meeting?

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A At that meeting the discussion was how to organize, how to set up a resupply operation. We spent several hours discussing the mechanisms, you know, how to build the company, what operating rights were necessary and that full gamut.

Q Did Mr. Bastian actively participate in this conversation?

A Yes.

Q And what was agreed to at that conversation?

A Nothing was agreed to other than he thanked us for the information and that, you know, continue helping from a technical standpoint. He said fine.

Q So it was basically a meeting where he asked questions of you. Is that a fair assumption?

A I'm sorry. Who is "he"?

Q Mr. Gadd.

A No. We were still on the discussion if a company was to be set up to resupply, what would be necessary. Mr. Bastian is an attorney, an aviation attorney as well as an airline executive, and had a great deal of good advice to give to this group.

Q Okay. There were just the three of you at this meeting?

A Yes, I believe so.

Q No one else was with Mr. Gadd?

A No, I don't think so.

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Q Did Mr. Gadd give you any indication at this meeting who he represented?

A No.

Q Did he tell you anything about government approval of this project?

A No. As I said earlier, he indicated right from the beginning that the government was very hopeful that this project could be put together by private investors, private individuals who were very anxious for it to occur.

Q Did he give you any more indication regarding the capital he had or expected to receive?

A No. We really still were a long ways from talking about what kind of money was in -- no aircraft had really been acquired or laid out or even the scope of the operation really identified.

Q Okay. Did Mr. Gadd mention or to your mind was there any connection with [redacted] flights and the Contra resupply operation?

A No.

Q There was never any indication perhaps the cargo on that flight was used to supply the Contras?

A No.

Q Did you suspect that?

A I would say I suspected it, yes.

Q Why?

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A It makes complete sense to me.

Q Did you get the sense that the [redacted] flights were somehow government-sponsored or his client was the government?

A No.

Q Did you get the sense it was private?

A Yes.

Q What gives you that sense?

A I don't know except that it was an impression I got it was in the end privately funded, and that was my impression all along.

Q But he never had trouble financing [redacted] flights?

A No.

Q What happened then after the meeting in Washington?

MR. BECKMAN: Do you think we could take a break?

MS. NAUGHTON: Sure.

(Recess.)

Dawn fls

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BY MS. NAUGHTON:

Q I was going to ask you about your next contact with Mr. Gadd after this meeting occurred in Vienna, Virginia. This is on the subject of Contra re-supply. When was your next contact with him?

A It was really within days.

MR. LEON: Did you go back to Florida?

THE WITNESS: Yes.

BY MS. NAUGHTON:

Q Did he call you?

A Yes.

BY MR. LEON:

Q Who paid for the trip up?

A He did.

Q Did you take it as a business expense, like future business development, something like that?

A Just like all of our travel is paid by ourselves, except this trip you guys are going to pay for it, right?

Q I will leave that to Pam to answer.

A That's part of it.

BY MS. NAUGHTON:

Q When Gadd got back to you, what did he say?

A The conversation really became, can you help me identify aircraft that fit in? And I would say, yes, I would work on it. I worked on that, and I concluded the Caribou

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was probably the right airplane for this operation. We had STOL aircraft --

Q What does that mean? Is that STOL?

A STOL. Short takeoff and landing.

Q For the record, describe why that is necessary.

A Well, it is a characteristic that any time you are working in the third world, what we call under-developed areas, STOL aircraft has good value? You don't have these big international airports where you can go down rambling 10,000 feet; and in this situation, it was apparent that would not be the case. They would not have an international airport to run in and out of.

Q The Caribou, is there a military equivalent for that aircraft?

A No, not that I am award of. I know many were sold to the military, but I don't know whether -- it was a commercial aircraft.

Q Why did you determine -- aside from the short take-off and landing, why did you determine Caribou would fit his needs?

A Because one of the criterion was an aircraft capable of making air drops, and it has a rear door and fit the bill. There is not that many aircraft in the world that fit that bill.

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Q When you say air drops, equipment was to be

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parachuted from the aircraft?

A Yes.

Q Did he tell you that?

A Yes.

Q Did he tell you that they would be parachuting weapons?

A No.

Q What did he say they were going to be delivering?

A Supplies.

Q By supplies, was that limited only to non-lethal material?

A No.

Q Rather than my saying what he said, why don't you tell me what he said? What was he going to drop?

A Supplies.

Q Did that include weapons?

A I don't know. I didn't ask.

Q So it could have?

A It could have, yes. Let me offer to you, it's logical that some of it would be.

Q Now, what else did you discuss other than what kind of aircraft were purchased?

A How we, Southern Air, could help this effort.

Q And what specifically?

A I said the way we could help the effort would be to

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lend our technical expertise in identifying aircraft, looking at them, kicking tires, doing some maintenance if required. Basically, that was it.

Q When you discussed doing maintenance, was that to be maintenance only in the United States at the site in Central America?

A Well, at that time, at that discussion I was really referring to Miami. The idea was to prepare the aircraft. The idea was in Miami to get them ready for service.

Q At what point was it decided you would send people [redacted]

A When they screamed, panicked.

Q Who screamed?

A Bill Cooper, specifically. That they had problems with the aircraft and they needed somebody down there. I should make it clear, we never assigned anybody down there. We did send several of our mechanics. We also sent some of -- arranged for vendors and mechanics to go down and try to repair engines and whatever was required.

Q Mr. Cooper was not on your payroll?

A No.

Q Now, if he didn't disclose to you where he was getting the money to do this, why did you agree to help him?

A Because I thought it was the right thing to do. I didn't see any reason not to. The concept itself made perfect

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sense.

Q What do you mean?

A Nicaragua is a Marxist State, the Contras are freedom fighters. They are in trouble, they need help. Why not help them?

Q Did Mr. Bastian share this opinion?

A Yes, yes.

Q Did anybody in the company object?

A No.

Q So as far as you are aware, everybody shared that opinion that you havejust expressed?

A Yes. I didn't go out for a vote.

Q I understand. Did you ask for -- in terms of the mechanics that went [redacted] was that part of the duty or did you get volunteers, or how did that work?

A Well, there most certainly was volunteers, but the aircraft is not the type of aircraft we operated. We needed to find somebody who knew something about round engines, and we only had a few guys who knew anything about them, and we asked if they could go down and help get these engines working.

Q Were they given any kind of bonus for it?

A No.

Q Did you charge higher rates than normal for a rather dangerous area?

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A [redacted] I wouldn't consider a dangerous area.

Q Was that the only place that you send mechanics?

A As far as I know. But I will qualify it. It is not inconceivable they might have moved over [redacted] at one time or another.

Q For the record, [redacted]

A [redacted]

MR. LEON: How far would that be from [redacted] Roughly.

THE WITNESS: 300, 400 miles.

BY MS. NAUGHTON:

Q To your knowledge, were you or any of your employees at the air strip in Costa Rica that was built?

A No.

Q Were you aware of that?

A Yes.

Q Who made you aware of it?

A Mr. Gadd.

Q What did he tell you about it?

A He said they were building an airstrip in Costa Rica, showed me where on a map.

Q How did he say this was being financed?

A Private funding.

Q What did he say regarding [redacted]

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A Nothing.

Q He just -- did they buy the land?

A I don't know. As far as his involvement or what he told me about it was really the construction end of it.

BY MR. LEON:

Q Did it come up in the context, Mr. Langton, of your planes being landed there?

A No.

Q Did it come up in the context of it might be a place we will need your mechanics to do some work on planes?

A I think what it was was in the context of what they were trying to achieve, and he showed me --

Q What do you mean, "they"?

A They, his operation. By the time this came up, he was then directing a flight activity in Central America. Okay?

Q For this private-funded organization?

A Yes, right.

Q Did it have a name, by the way, this private-funded organization?

A No.

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Q So this was separate from Sumarico?

A Oh, yes, absolutely. Yes. And what he did is he showed me this point in Costa Rica where they had hoped to develop an airstrip. He already had [redacted] which is a [redacted] In between those two and [redacted]

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they felt they could service all of the Contra troops in the field. I said, that is interesting.

Q They had their own pilots?

A Yes.

MR. BECKMAN: Excuse me. I don't know if you focuse onthe question; it wasn't very precise. You were asked separate from Sumarico.

THE WITNESS: Yes.

MR. BECKMAN: Which by this time is East, which implies East wasn't in any way involved.

THE WITNESS: Right.

BY MS. NAUGHTON:

Q Let's get into that. Do you recall at that point you decided to go ahead and do this venture?

A Well, immediately at the meeting in Mr. Bastian's house, we said this is the type of service we could provide. It is third-party maintenance. We do it for many customers.

Q So it was just a matter of working out the logistics then?

A It wasn't a matter of anything. We said that we could do, that we could do.

Q Whose idea, then, was it to open up the account in [redacted]?

A Mr. Gadd asked if we could, if we would do that. I thought it was a good idea.

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A Because I basically wanted to keep that operation totally outside this Southern Air operation, and I felt that an offshore account would be, keep it at arms length.

Q Why did you want to keep it separate?

A Well, I had several reasons. One, I didn't want the diversion of our time and talent within the company wasting a lot of time on this; and, secondly, I did not want to raise a -- I didn't want to have a bunch of demonstrations in front of our building or a political situation occurring. I didn't want any of that.

And, to me, the easiest way to do it is to have an offshore company that is a customer and performer of third-party maintenance, and that's all there is to it.

Q So your intention was that your books would reflect you were doing this business for ACE?

A Yes.

Q And ACE, for the record, is the account in [redacted]

A Yes.

Q Did you give Mr. Mason instructions to set up the account?

A Yes.

Q Who gave you the name of the person to contact [redacted]

[redacted]

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A Mr. Gadd.

Q Did Mr. Gadd say he had used this fellow before [redacted]

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[redacted] to set up accounts?

A No, he did not.

Q How did he get the name, do you know?

A I don't know.

Q When Mr. Mason went down, how much money did he deposit in the ACE account to get it started?

A I don't know. I think it was $3,000 or $4,000.

Q Was SAT reimbursed for that?

A Yes.

Q By whom?

A By the ACE account.

Q To your knowledge, who paid the pilots who were flying these missions?

A I really don't know.

Q All right. WEre any of these pilots pilots who had flown for SAT at some prior time?

A Yes. Bud Sowers.

Q By whom was he employed?

A By Gadd.

Q But you don't know by which company?

A I am sorry?

Q Do you know what company?

A What company what?

Q Was he personally employed by Dick Gadd, or was he employed by --

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A Oh. By East, by East. He was one of the contract pilots.

Q When you say contract pilot, what do you mean?

A That he was under contract to East, and we flight trained him and brought him up to our off-spec requirement, and we periodically used him for our own flights and paid him by the hour.

Q Were there any other people in that category?

A There was two complete flight crews. I think we have already provided the names. I can't remember. Bonzo Von Haven was the other captain, and I can't remember the co-pilots.

Q Would Mr. Kilburn be one of them?

A Kilburn?

Q Yes.

A That name doesn't ring a bell at all.

Q Now, were these the people, Mr. Von Haven and Mr. Sowers, were they among the people who were doing the training in the earlier Sumarico contract?

A Yes.

Q Now, on occasion, SAT provided cash to the pilots, is that correct?

A That is correct.

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Q For what purpose?

A Well, primarily for the fuel account. At [redacted]

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in order to get fuel for the aircraft, they required cash. And we had the same problem in our own flights, our own MAC flights that would service [redacted] We couldn't use the Air Force Carnet and had to take cash with us to get the fuel. It is not uncommon around the world.

Q Why didn't they get this cash from ACE?

A Usually what happened is it was a -- it got to a crisis mode that they just didn't have enough cash down there; and they were doing a crew swap, and we would advance them some cash, and it was very seldom, I don't know how many times that happened, but it was not very many. Most of the time, they got their operating expense funds already taken care of. Not out of ACE. ACE did not pay any of the operating funds.

Q By whom were you paid, ACE?

A Yes.

Q So ACE was set up simply to pay Southern Air?

A Yes. Yes, I would say that's correct.

BY MR. LEON:

Q Who had the banking records?

A Bob Mason.

Q For ACE?

A For ACE, yes.

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BY MS. NAUGHTON:

Q When you did provide cash to the crews, do you remember what kind of amounts we are talking about?

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A Probably $9,000. That's the usual.

Q Nine?

A Yes.

Q Did you ever provide more than $10,000 in cash?

A No, I don't believe so.

Q Did you ever provide more than $10,000 in cash to Mr. Dutton?

A No, I don't think so.

Q When that cash was provided, through whom would that have to be cleared at SAT?

A Bob Mason and myself if I was there, and it still wouldn't occur without Dutton's approval.

Q Dutton's?

A Yes.

Q What about prior to June of '86, who would approve it?

A Gadd.

Q All right. So Mr. Gadd or Mr. Dutton would come to you and ask for the advance?

A They would call me.

Q But my question was: At Southern Air, who would have to approve such an advance?

A As I said, either myself or, if I wasn't there, Bob Mason would probably go ahead and do it himself.

Q Mr. Mason had the authority?

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A Yes.

Q Was that for up to a certain amount or --

A He knew what he could and couldn't do.

Q To your knowledge, did Southern Air fill out any Customs declarations form regarding this money that was being taken out of the country?

A I don't know.

Q Now, as to the airplanes that were purchased, we went through in great detail with Mr. Mason on the financing, but I would like to run down with you so I can get it clear in my mind as to exactly how many airplanes were purchased by, shall we say, Gadd Enterprises during this period of time? Why don't you tell us first about the two Caribous.

A Well, again, I helped acquire those aircraft and provided technical and I guess business aspects of it. I went to Rouyn, Quebec in the middle of winter, looked at the aircraft with one of our technical representatives, looked at the records, determined that the aircraft were suitable aircraft, spoke to Mr. Provonose, and tried to establish a price. Mr. Gadd was with me on that trip. And we did that, came to an agreement.

BY MR. LEON:

Q Did you negotiate it?

A Yes.

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BY MS. NAUGHTON:

Q That is for both Caribou?

A Well, we started with one, but I tried to roll the package in and give them the, as usual, give them the expectations of their being, we'll take them both and all the parts, which we eventually did, and were able to negotiate a better deal that way. They did want to sell both.

Q The person from whom you purchased these planes was whom?

A Luis Provonose.

MR. BECKMAN: Excuse me. I don't think you listened to the question.

The question was, the person from whom you purchased the aircraft was whom?

THE WITNESS: I didn't purchase the aircraft, number one.

MS. NAUGHTON: I understand. You negotiated.

THE WITNESS: I was the liaison.

BY MS. NAUGHTON:

Q Was this plane previously registered in Canada?

A It was currently registered in Canada when I was there.

Q And who registered it in the United States?

A It was never registered in the United States.

Q What happened with its registration?

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A I don't know.

Q Well, then, how do you know it wasn't registered in the U.S.?

A It was never operated in the U.S.

Q It was flown directly from Canada to where?

A [redacted] the first one.

Q What about the second one?

A The second one stopped in Miami for repairs and went [redacted]

Q The second one was never registered in the United States either?

A No.

BY MR. LEON:

Q How did you happen to go to Quebec to get those planes?

A It was in the paper. There is a paper called "Trader Planes". I went through that and looked for Caribous, and there was a broker in Canada, I don't remember his name, he had them, and we talked to them and it sounded like the type of aircraft that would fit the bill, and I recommended that we go look at them.

Q Did Gadd pay all of your expenses to fly up there, hotels and --

A Yes.

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BY MS. NAUGHTON

Q How was the actual financing of those two planes, those transactions made?

A I don't know. Mr. Mason would have to answer that.

Q All right, but did Mr. Gadd just pull out a check and write it --

A No.

Q Was it done through Southern Air?

A No.

Q Then why would Mr. Mason know it?

A Because he was involved in the activity. It is my understanding that ACE bought the airplanes and then transferred the title to Udall Corporation immediately.

Q Was that true for all of the airplanes?

A No, no.

Q Let's go to the C-123s.

First of all, is there a civilian equivalent?

A No.

Q Let's start, first of all, with the C-123 that was shot down so that we have a point of reference. From whom was that purchased?

A I think that was the Harry Doan airplane, wasn't it, the one shot down?

MR. BECKMAN: I don't remember.

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MS. NAUGHTON: Yes, that was the Doan one.

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THE WITNESS: That was purchased from Harry Doan.

BY MS. NAUGHTON:

Q Doan what?

A Doan Helicopters.

Q And did you scout that plane as well?

A We really had nothing to do with that airplane. I think I did send a mechanic to go up and kick tires and make sure the flaps were on, and I think that we did, but we did not participate in negotiations or anything else on that airplane. It was my recommendation to stay away from those airplanes.

Q Why?

A Because they had no commercial value.

Q What do you mean?

A I couldn't use them in any commercial enterprise. They were a military airplane.

Q Well, you knew, didn't you, that Mr. Gadd was using them for military --

A He hadn't used it yet.

Q What is your point?

A My point was I didn't recommend buying those airplanes I didn't participate in buying those airplanes.

Q My question is: Why wouldn't you recommend a military style aircraft for a military style --

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A I go back to the premise, the idea here, the funds

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were private funds donated in order to get this operation off the ground, to bridge the gap until Federal funds were flowing. I thought it would -- the proper thing to do is to buy an airplane that youcould re-sell when things were all done, and you get part of their investment back.

Q Obviously Mr. Gadd didn't agree with that.

A Yes.

Q Why?

A Performance of the aircraft is a little inferior to the Caribou.

Q What was his level of sophistication regarding these aircraft? Did he have a great deal of experience with it, very little? How would you characterize it?

A Some. Nobody has a great deal anymore. They are quite an antiquated airplane.

Q Now, as to the purchasing of the aircraft from Doan, could you tell me how that worked?

A Our involvement, is that what you are asking?

Q Yes.

A Mr. Gadd had struck a deal with Harry Doan for the aircraft. I believe that a bank transfer was made to Harry Doan. I got a phone call from Mr. Gadd about the transfer, they couldn't find it, it was misplaced, could we, Southern Air, help get a cashier's check up to Harry so they could fly the airplane away. And we said yes.

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Q Why?

A Why not?

Q Well, isn't that a big risk you are taking?

A No, I didn't consider it a big risk. We have been in business together and we had always been paid promptly, and we did have money in our account, advance payments for maintenance and so forth.

Q You mean in the ACE account?

A There were some in the ACE account, but I think we also had some in our own account, Southern's account, for advance payments on maintenance and so forth, that the real risk was rather minimal, maybe $70,000, something of that nature. And I was assured we would be reimbursed immediately, which we were.

Q How much was the check for?

A $475,000, I believe.

Q What did you think in terms of --

A Is that right?

MR. BECKMAN: I don't know. What did you say?

THE WITNESS: 475.

MR. BECKMAN: That is not what sticks in my mind. Is that correct?

MS. NAUGHTON: I would have to look.

MR. LEON: I think he previously stated that.

THE WITNESS: It was somewhat in that area.

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BY MS. NAUGHTON:

Q What did you think of the value of that plane? Was that paying more than it was worth, less than it was worth or about right?

A Harry was asking, when he first called, for $750,000 for the airplane. And, again, I'm a commercial operator. I think it has no value. So what is the right number? It beats me. I don't know.

Q For instance, what was paid for the other C-123?

A That one I don't know at all. I wasn't involved in the other one at all.

Q That plane, the one that was shot down, to whom was it registered after the sale?

A I don't know.

Q You weren't involved in the registration?

A No.

Q Do you know if it was registered in the United States?

A It was registered in the U.S. at the time of purchase.

Q Was this registered to Udall?

A I don't know. You mean before or after? In the U.S.?

Q You told me before --

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A Harry Doan had it registered in the U.S.; it had an N number on it. What happened after that, I have no idea.

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Q You told me earlier in discussing these planes in general that most of them were sold back to Udall.

A No. I said two of them were.

Q Which two?

A The two that were purchased by Ace were immediately sold to Udall.

Q Those are the two Caribous?

A Yes. And the balance of them --

BY MR. LEON:

Q Where is Udall located?

A It is a Panamanian corporation.

Q Had you dealt with them before?

A No.

Q Have you dealt with them since?

A No.

Q Had you known of them before?

A No.

Q How did you first find out about them?

A As soon as the aircraft were purchased, we were instructed to transfer title to Udall.

Q By?

A By Gadd.

BY MS. NAUGHTON:

Q Was your address mistakenly put on one of the registrations?

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A It wasn't a registration. It was an application for registration; and, yes, they put our physical address on it.

Q Who is "they"?

A I don't know. I wish I knew. I would kill them. I would have a long chat with whoever did it. I don't know.

Q When did you find out about that?

A When it hit the newspaper.

Q Did you ask Gadd or Secord or anyone about that?

A Yes.

Q Whom did you ask?

A Both. I actually asked Gadd and Dutton, and neither of them knew a damn thing about it.

Q Did they admit it was a mistake?

A Of course it was a mistake.

Q But they didn't know who had made it?

A Didn't know who had made it. I got a copy of it. The signature didn't mean anything to me. But, in any case, it was an application that -- the FAA would have never processed it.

Q Why?

A Because it was signed by an agent. That's what it said, "Agent." The FAA doesn't process those things.

Q It was not signed by the owner?

A No. So unless -- if you want my theory, I would say the press sat down and filled it out just to create a story.

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Q That's for another lawsuit.

A Maybe they did. I don't know. It just dawned on me.

Q Do you know a man named Asher Ward?

A I do not.

Q How about a guy named Joe Cappa?

A No.

Q You don't know from whom the other C-123 was purchased is that correct, the one that wasn't shot down?

A No.

Q What about the Maule aircraft?

A I don't know anything about the Maule.

Q Did you know Mr. Gadd had purchased a Maule?

A I didn't know it was his.

Q Did you know of a Maule being used?

A Yes.

Q What did you know?

A I knew it flew in and it flew out.

Q Of where?

A Out of Miami.

Q Flew into SAT?

A Into SAT, yes.

Q Who was in it?

A A bald-headed guy. I don't know his name.

Q How did you know that was part of the Contra resupply

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activity?

A Because he was talking to Cooper and they seemed to have a rapport going.

Q Could you describe this Maule aircraft? What are we talking about?

A We are talking about a single-engine airplane. It is like a little Beechcraft, but it has an over-sized engine on it.

Q What is its purpose?

A I really don't know much about small airplanes. I just don't know. Its purpose was to carry people and goods, but not very far or very much.

Q Is it a passenger aircraft?

A No, it is a small private -- it's two wings and a single engine and one pilot. It is not a passenger type of aircraft, no.

BY MR. LEON:

Q Is it a STOL aircraft?

A Yes, but when you get down to that size, they are all STOL aircraft, with the exception of Lear jets and so forth. I mean, any of them will take off on 3,000 feet. But I do know this was specially -- the Maule is a derivative. It has a bigger engine, and I think it is a Beech airplane, but it is mod. And that's why they call it a Maule.

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BY MS. NAUGHTON:

Q Was this a new aircraft or an older one?

A It looked new to me. It was really nice and clean. I walked out and looked at it. It looked brand-new to me.

Q Did it have any markings on it?

A No.

Q Just an N number?

A I think. I didn't even see an N number, but I'm sure there was one on it.

Q Do you know where it was registered?

A I don't know anything about the airplane.

MR. BECKMAN: Then you can't be sure it had an N number.

THE WITNESS: No, I can't even be sure of that, that's right.

BY MS. NAUGHTON:

Q Now, Mr. Cooper spent a great deal of time at SAT; is that correct?

A Yes.

Q What was he doing there?

A When the aircraft were acquired, he was there overseeing the maintenance work on it.

Q But he was not paid by SAT?

A No, he was not.

Q Do you know who paid him?

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A I don't know.

Q Was it a Gadd-related company?

A That I don't even know. I just don't know.

Q What did he say? I mean, did he refer to anyone as his boss?

A Yes. At first Gadd and then later on Dutton.

Q What is Maule Air? Is that the company that makes them or leases them or are you aware?

A What's what?

Q Maule Air.

A I think, and I'm just not an expert in small airplanes, but what I understand is that it is a modification, and it sounds to me -- I don't know what Maule Air is, but it sounds to me like they are the ones that bring the airplanes in to modify them, put a different engine in them.

Q What about the Jet Star; why don't we start that story from the beginning. There came a time at which you were thinking of purchasing a Jet Star?

A Yes.

Q For what purpose?

A We have an extensive system of Boeing 707s and L-100s that fly around the country daily, and the one thing we found was we couldn't rely on getting parts or people to AOG airplanes in a timely fashion. So we determined what we needed to do was buy a corporate type jet that had range, very cheap

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and could pack a decent load. So we went out and looked, and the Jet Star was the airplane. It could go 17,000 miles with 200 pounds on board and only cost a quarter of a million dollars. And the idea was the airplane would spend most of its time just sitting on the ramp waiting until we needed to move men and equipment to an airplane.

Q From whom did you buy it?

A I can't remember. It was a broker in one of the airports, Opa Locka, I believe.

Q Where is that?

A It's one of the little airports in Miami. I can't remember the guy's name.

Q To whom was the Jet Star registered?

A Southern Air.

Q At your Miami address?

A Yes.

Q Now, prior to its purchase, did you allow Mr. Gadd to fly in the plane or arrange a flight?

A Yes.

Q Could you tell me how that came about?

A When we were looking at the Caribous and we at the same time were looking for a Jet Star, this airplane fit it and so we convinced the owner, I did, why don't you let me take it for a little ride, we will buy the fuel and see if you will like the airplane. So we flew up to Fort Wayne first and

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dropped some parts off there. We have a major hub there and dropped some parts off and went on to Rouyn and looked at the airplane and came back.

BY MR. LEON:

Q Do you have to put a bond up when you do something like that?

A You should, but these are deals that -- we rented his crews. It wasn't our crews or anything. We were satisfied with it and he wanted to sell the airplane. So this was a demonstration flight. It worked out real well. Mr. Gadd was on that flight with me.

BY MS. NAUGHTON:

Q Were there any other demonstration flights involved with Mr. Gadd?

A No.

Q Did Mr. Gadd contribute at all to the financing and purchasing of the aircraft?

A Mr. Gadd did not.

Q Tell me about then the check that was received from him for the aircraft.

A I'm unaware that we received a check from him.

Q All right. Let's start at the beginning. Did anyone other than SAT --

A Yes.

Q -- purchase aircraft?

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A Yes.

Q Who was that?

A Mr. Secord.

Q Mr. Secord?

A Right.

Q Can you tell me how that came about?

A Well, I was in the process of buying the airplane, and I had explained to Mr. Gadd our criteria: very little use, low capital cost and the high operating cost. The airplane is not cheap to operate. And he said, "Gee, I know some guys that are looking for that type of airplane."

I said, "Well, I'm looking for a partner." And so as it turned out, Mr. Secord wanted to participate in the ownership of the aircraft. So he said he had trips that they wanted to run periodically.

BY MR. LEON:

Q From Washington?

A Wherever.

Q Didn't Secord live in Washington?

A Yes.

BY MS. NAUGHTON:

Q When did you first speak to Mr. Secord about anything?

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A The first time I met him was in Mr. Gadd's office.

Q When you and Mr. Bastian went there?

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A No. This was January of '86. I think it was Dave Mulligan and myself.

Q I want to get into all that later.

A That was the first time I ever met him.

Q So you know Mr. Secord at that point was affiliated with Mr. Gadd?

A Yes.

Q And Mr. Secord was interested in purchasing the Jet Star?

A He was interested in having a jet aircraft available for them as well and we were interested in having a partner so we shared expenses.

BY MR. LEON:

Q What did you believe to be his use, their use? You said "their use."

A He said they had wanted to be able to move people once in a while in a very quiet fashion. I said that's great.

Q Who did you believe he was referring to?

A I didn't.

Q What company did you believe he was with?

A Stanford Technology.

Q Located in Washington?

A I think in Washington here.

BY MS. NAUGHTON:

Q Now, did Mr. Secord send you a check?

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A That's what I don't know. I don't know how we got paid on that one.

Q What was your understanding in terms of the percent of the ownership?

A We'd split it fifty-fifty. It wasn't just the acquisition costs; we also had spare engine parts, but our intent was to split it fifty-fifty.

BY MR. LEON:

Q How is he to get access to the plane when he is up in Washington?

A Just give us a call. We would have our crews sent out and charge him our out-of-pocket expenses. It would not be capital costs and so forth.

Q So it would be kept in Florida?

A Yes.

BY MS. NAUGHTON:

Q To your knowledge -- first of all, who owns the plane now? Did you buy him out?

A Yes. It was ours in our name 100 percent.

Q But did you ever give him back his 50 percent?

A He still owes us money, so we called it square on that deal.

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BY MR. LEON:

Q Did he take depreciation?

A No. You know, that kind of thing --

Q Did he take tax benefits on it?

A No.

Q Did you?

A I don't think we did. I think we just expensed it. It was really too small of an amount of money to try to work out a depreciation schedule. I'm not sure. Mason may have done something, but it would surprise me. I would think we just expensed it.

Q You believe they didn't?

A I believe they did not.

BY MS. NAUGHTON:

Q Now, let's say from the time of its purchase, which I believe was in April of '76, isn't that correct? Would you disagree with that?

A No, I wouldn't disagree with it.

Q Until, let's say, November of '86.

A Okay.

Q How many times did either Mr. Secord or Mr. Gadd or Mr. Dutton request to use the aircraft?

A I don't know. No more than twice.

Q Do you remember when the first time was?

A Gee, I really don't.

Q Would it have been near the time of purchase? In other words, did they take a test run themselves to see --

A Yes. We arranged a flight for them prior to the

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purchase of the aircraft. We thought we would get one more trip out of the owner, and we did. We arranged for a flight for them. Again, we didn't have any crews. I don't know exactly what his flight schedule was.

Q All right. These were not your crews?

A No.

Q Whose crews were they?

A Contract crews. Again, there is a lot of pilots around the country. Once they get checked out in a certain piece of equipment, they hire themselves out by the hour. And the crew on this flight was one that the previous owner often used to fly the Jet Star.

Q Who arranged for the crew?

A The owner, I believe.

Q And do you know where this flight went?

A No. But that stack we gave you that is not Gadd related, there is -- do you have it with you?

MR. BECKMAN: No, but I have a note of it.

THE WITNESS: Well, that won't help.

MR. BECKMAN: It's document 698 through 700 of the Jet Star flight.

THE WITNESS: It is the only one in there. That is the flight. It's in that batch we just gave you last night. But I said it is not Gadd related. It is not. It is Secord. If you have it there, I can show it to you.

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MS. NAUGHTON: I do not have it.

THE WITNESS: To the best of my recollection, the flight left here, went to Washington, went to Dulles, picked up Gadd and some other passengers, flew to [redacted]

MR. LEON: Do you know who the other passengers were?

THE WITNESS: No, I don't. Returned to Washington and came back to Miami. That I think was the trip.

BY MS. NAUGHTON:

Q When they came back to Miami, from, let's say, [redacted] were there any employees or mechanics or employees of SAT on the flight?

A No. There was one on the other day. I checked.

Q When you say the owner arranged for the crew, for that type of aircraft how many people are we talking about?

A Two. The pilot and co-pilot. I think that would have a flight attendant as well.

Q Who actually arranged this? In other words, was it Gadd or Dutton or Secord?

A I don't remember. I think it was Gadd. I think Gadd actually arranged it and Paul Gilcrest. I just put those two in touch. I didn't talk to them anymore about it.

Q And was it your understanding that Mr. Gadd was going with these people on this flight?

A Yes.

Q And when the flight returned, did you speak to Mr.

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Gadd or Mr. Secord?

A No.

Q You didn't ask them how they liked the plane?

A I don't think so. I asked the crew.

Q And what did the crew say?

A They liked the airplane.

Q How did they like [redacted]

A They thought it was interesting.

Q What did they mean by that?

A Well, the [redacted]

BY MR. LEON:

Q Who was the pilot?

A A gentleman by the name of Phil Sobelman.

Q Spell his last name.

A S-O-B-E-L-M-A-N.

Q Do you know where he is now? Miami?

A These people don't work for us now. They are corporate type pilots.

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BY MS. NAUGHTON:

Q We are on the Jet Star flight. When you spoke to the crew, did they mention anything about the passengers?

A No.

Q They landed in Miami. Let's correct that. From [redacted], where did they go?

A Back to Dulles, I believe.

BY MR. LEON:

Q When a pilot flies a plane from one country to another, when it is a private plane like the corporate jet, do they have to check the passports of the people who are flying with them, A, to see if they have a passport, and B, if they don't?

A Gee, I don't know.

MR. BECKMAN: I think what you are thinking of, Mr. Leon, is the responsibility put on a common carrier by the Immigration Service to be sure that it doesn't bring in someone who doesn't have proper travel documents, and can be fined $1000 per passenger. You are used to having your travel documents checked when you go out. I don't think that happens with a private plane.

BY MR. LEON:

Q I wanted to know if he knew from experience.

A I don't travel by small airplane very often. I don't know. Somewhere you have got to go through

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Immigration.

Q You own a Jet Star now, right?

A Right.

Q If you were going to fly a group of people to, let's say, Central America from Miami, would you or would someone in your organization first check to see the passports of the people you are flying?

A There are two parts to that question. One, the airplane is not for hire. We can't take passengers. We only can carry company personnel. That is the way it is certified. And, yes, we would tell everybody to take their passport.

MR. BECKMAN: Just as a courtesy, but do you feel there is a need by Government regulations or whatever to check.

BY MR. LEON:

Q It could be company policy that the pilot, for example, checks everyone's passport to make sure they have it with theim.

A It wasn't my flight, and I just don't travel in a small airplane enough to answer your question.

BY MS. NAUGHTON:

Q After this flight, then did you receive the check from Mr. Secord?

A Yes.

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Q And do you know on what check, in other words, on what company and what account it was written?

A No, I don't.

MS. NAUGHTON: Mr. Beckman, did you provide us with an answer to that question?

MR. BECKMAN: Which question?

MS. NAUGHTON: As to on what account Mr. Secord wrote the check?

MR. BECKMAN: Which question was that?

MS. NAUGHTON: Mr. Kirstein and I discussed the check for, I believe $150,000, it was either $115- or $150,000.

THE WITNESS: One fifty.

MR. BECKMAN. I think that this must be the check that I spoke to David on the telephone and he said he asked Mason, must have told you he was going to ask Mason and Mason was checking, but the answer is, I don't have the information today.

MS. NAUGHTON: Fine. We will make a request for the record to get a copy of that check.

THE WITNESS: You are assuming there is a check. I am not sure that is even the case. I will find out.

BY MS. NAUGHTON:

Q I am assuming that because I was told that by Mr. Kirstein.

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A I will find out how it was paid. I don't know what vehicle or what. It could very well have been ACE.

Q But through whom did you conduct these negotiations? In other words, was it your understanding that Secord was going to pay for it and so it is through Secord that you did the negotiating?

A Actually it was very simple. I told Gadd what the airplane was going to have them costing, and the next thing I know he said -- in fact, I knew, it was money transferred to ACE; I am sure of that. We will verify that. We will look for 100-1/2.

MR. BECKMAN: I think we gave you all the financial records. There weren't that many.

MS. NAUGHTON: Yes, but I don't recall there being one for the Jet Star. It certainly wasn't in Mr. Mason's chronology because we sort of focused on flights.

MR. BECKMAN: What did Mason --

MS. NAUGHTON: I was not here for most of his deposition.

BY MS. NAUGHTON:

Q But it was your understanding that this contribution was for Mr. Secord, not for Mr. Gadd?

A Right.

Q Was there another requested flight for either Mr. Secord or Mr. Gadd or Mr. Dutton after this one that

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you have just described, the sort of test run?

A Yes, and I really don't know exactly when it was, but we were requested to make a trip from Miami to [redacted] and return.

Q Without a stop in Washington?

A Without a stop in Washington and who got the crews for that?

A We did. It was now our airplane.

Q Was that an SAT crew or contract crew?

A The SAT crew.

Q Do you remember who the pilot was?

A I think it was a combination. I think we had one of ours checked out in the right seat and somebody else's in the left seat.

Martin Fernandez was our employee who flew that trip.

Q And is he still an employee of yours?

A Yes, he is.

Q Do you know who was flown from Miami to [redacted]

A Yes.

Q Who?

A [redacted]

Q Where is he from?

A [redacted]

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Q Who else?

A And Max Gomez.

Q Had you met Mr. Gomez before?

A I don't know. I met him twice, I think, once this time and one other time in the hall, I don't know.

Q And who did you understand him to be?

A I understand he was liaison for [redacted] and working with Bill Cooper. [redacted]

Q So [redacted] was helping with the logistical problems in [redacted]

A Yes, he ran the base.

Q Did you ever come to learn or was it ever your understanding that any of the cash that was used to send down there was used to pay [redacted]

A No.

Q Do you have any reason to believe that?

A No.

Q Was there anyone else on the flight besides the crew, [redacted] and Max Gomez?

A We had a flight attendant on that flight as well.

Q Do you know who that was?

A No, I don't.

Q Do you recall approximately when that occurred?

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A I don't know. It was sometime in the summer.

Q Was it after Mr. Dutton had taken over?

A Yes, I believe so.

Q So it would have to have been July or thereafter?

A June or thereafter, yes.

Q Did Mr. Dutton arrange this?

A I don't remember.

Q Were there any other trips taken with the Jet Star by Secord or Dutton?

A Not that I am aware of.

Q To your knowledge was Oliver North on any of those flights?

A Not that I am aware of.

Q Did you ever meet Mr. North?

A Never have, no.

Q Do you know whether Mr. Gadd, in supplying the contras and conducting this contra resupply, ever paid for aircraft parts through his own companies or did he do it all through SAT?

A I have no way of knowing. That was our function. I don't know why he would, but I really don't know.

Q Would it be unusual for him to have paid a bill to an aircraft supplier company for $9000 for such a round sum?

A Gee, I don't know. You know Mr. Gadd has many

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enterprises, and I really couldn't guess what all he pays.

Q Do you know where these supplies came from that were shipped to the contras?

A Maybe you could be more specific. Which supplies?

Q Any of them.

A No.

Q Did they all come from the same freight forwarder, or were they shipped to a central point, or do you know where they were picked up?

A I guess I don't know what the question is.

Q In the contra resupply operation, supplies were sent to the contras?

A Yes.

Q Do you know from where they came?

MR. BECKMAN: I think one of your problems is you haven't established, to move the interrogation, what Southern Airlines' involvement was with any supplies.

MS. NAUGHTON: I understand. They claim it was purely maintenance. I understand that. I am asking him his own personal knowledge, though.

MR. BECKMAN: They did. They did on a number of flights, didn't they?

MS. NAUGHTON: Yes.

MR. BECKMAN: You are talking about NHAO.

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BY MS. NAUGHTON:

Q When I say contra resupply, I mean this privately funded organization.

A I don't know what all was shipped by that organization. If you want to ask my opinion, a good part of it had to be what NHAO sent down; it went to [redacted] it went to [redacted]

Q Those are separate flights we can get into, but now I am talking just about the privately funded portion of it.

Do you know where those supplies came from?

A No, I don't.

Q Did Mr. Gadd ever discuss where he was getting them or whether he had difficulty getting them or what he was getting or anything along those lines?

A Yes. He said the parts were what was staged at [redacted] with the relief goods from NHAO.

Q He told you on or about October of 1985 that he was going to put together a privately funded channel to supply the contras, correct?

A A privately funded mechanism to supply, not to buy supplies, only to deliver supplies. That is all we ever talked about. We never talked about what the supplies were or where they came from. It was somebody else's problem. This was only for the delivery of those goods.

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Q So you didn't know if the goods were from Government-sponsored programs or where the goods were coming from; is that what you are saying?

A Right, that is what I am saying.

Q But you know that the NHAO flights were sponsored by the Government? And did you think there was a difference between those flights and the ones that Mr. Gadd was trying to arrange privately?

A Yes.

Q As far as the NHAO flights, do you know why it is that Mr. Gadd conducted those through Air Mach as opposed to through EAST?

A No, I do not.

Q Were you paid by EAST?

A Yes, I believe.

Q Did you have some difficulty with the State Department?

A Yes, I did.

Q Could you explain what that was?

A Let me go back and reconstruct the NHAO flights. I was asked by Mr. Gadd if we could work out some pricing. He wanted to bid on this NHAO contract, and have us sub service. The question to me was, if you flew out of Miami [redacted] what would you charge. So I told them. He says, Do you think you have the availability to do this on

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a routine basis? I said I don't know, but I am sure if giving a 72-hour or more window, I could always arrange to have an airplane to make that flight, so I gave him my price and he went and bid on the contract. Okay, the first trip was not from Miami, I don't believe. It was out of New Orelans, if I recall, so there is quite a difference in flying from Miami to New Orleans [redacted] and back to Miami, and I said, Dick, this isn't what we agreed on. And he says, Yes, I know, and we are going to have to get this straightened out.

So he did discuss it with the NHAO office, you know, if the flights were going to deviate, we had to get paid for the additional hours, and an agreement was struck that any hour over and above the basic trip would be at $3000 an hour.

Then we were hit with an insurance problem. Immediately we went down there. Any time you go out of country, you notify your insurance company. We said, We are going to El Salvador. They wanted a $5000 per transit stop charge. So that was a problem for us, because that was not built in the price either. We have worldwide coverage.

So I threw that back at him, and it became quite a hassle and I met with Mr. Duemling in my office. He was going through, and just to show him an insurance bill for the flights. I said, I am not making this up; it is a fact

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of life and we are going to work on it and try and get it into a reasonable rate, but right now I have got to add it to the bill.

He said, I understand, and that was it. Well, it wasn't it. I think we were paid for the first few flights and then it became a debate with the State Department what was the proper charge and so forth.

The other thing is then they wanted us to go to [redacted], and you can't fly from there back to the States. You have got to go someplace and get fuel, so we had quite a few more hours of flying involved than what the original contract was.

To make a long story short, I guess we made 15 trips for him, and came to a settlement on insurance, because we were able to get a package insurance rate. We went back and adjusted all the billings to accommodate our actual insurance charge, and I guess that was the extent of it.

I told them I really didn't care to ever do another flight for these people again. It was too much of a hassle.

Q What was your impression of Duemling?

A A quiet guy.

Q Why did the contract cease? In other words, did you refuse to perform any more flights or did the contractors

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run out?

A I think basically they used much of the money for supplies by then. Now, they did fly two more after we did with another carrier.

Q Do you know who that was?

A Yes, Mark Air.

Q Where are they located?

A Alaska, Anchorage, Alaska, but I think it was mutual. I think that I was not pleased with the way the whole thing was coordinated and I think that they felt that maybe we were being unreasonable and they went and looked for other carriers to operate it.

Q Was there anything else you were dissatisfied about with the NHAO flights other than the insurance problem?

A Well, we had I think three ourstanding issues. One is the extra flying involved, because we did have to go back. Actually, we went back to San Salvador to get fuel. If we went to [redacted] we couldn't go direct out [redacted] back to the States, so we had a lot of extra flying. We had a dispute over, I believe, a prepositioning charge. We had an aircraft in Dallas that we moved to Dulles and charged them for it, and they wanted us to absorb that charge on our own, and I said that is outrageous. I guess that was the extent of it.

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The gentleman that ran the program was a rather unusual man.

Q Who was that?

A I guess Phil Buechler.

BY MR. LEON:

Q State Department?

A Yes.

Q B-u-e-c-h-l-e-r perhaps?

A It sounds like that, yes.

BY MS. NAUGHTON:

Q When you say it was unusual, what do you mean?

A Irrational. If you have got to fly, why debate it? And we don't fly for nothing, and that is what the charge was.

My contention was that if they had a problem with the billings, he should have told us immediately and we had a choice then to either fly at the rate they wanted or forget it, and it was very clear to me that they wanted us to continue to fly, and it was clear to me that we had told them what it is going to cost them to fly.

BY MR. LEON:

Q How did they get your name?

A How did who get my name?

Q Buechler.

A Mr. Gadd. He came down on one of the very first

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flights.

BY MS. NAUGHTON:

Q When did Mr. Gadd ever approach your for doing any NHAO flights?

A I don't recall. It was within a month of when we actually did it.

Q So he approached you for the NHAO flights?

A Yes.

Q After or before you had the conversation regarding the private resupply network?

A Probably after.

Q And what did he tell you about this when he approached you about it, the NHAO flights?

A It was a bid that he would like to bid on. We could get some extra trips, just ad hoc charters.

Q Did he indicate to you in any way how this would dovetail into what he was doing with his private supply network?

A The only dovetail was that the supplies being delivered by the L-100s to [redacted] yes, those were the goods that had to be delivered to the troops, boots, canteens, blankets and so forth. That was the whole purpose of it.

Q And he indicated that those would be sent to the contras fighting in the field, the boots and the canteens

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and so forth?

A Yes.

Q Were all the flights to [redacted]

A No, that is what I said, they were [redacted]

[redacted]

Q So you did go to [redacted]

A Yes, we did.

Q Any other places in Central America?

A No.

Q Do you know whether or not the goods supplied in the NHAO flights were United States made? In other words, United States military surplus?

A I think most of them were.

Q And was a single freight forwarder used for those, do you know?

A Mario Calero was the guy who went around buying all the stuff, and I don't know what the freight forward company he used, but he was the guy buying it.

Q But you don't know who was buying the stuff that was being supplied through the private netowrk, or was Mario Calero buying that as well?

A I don't know.

Q How did you know Mario was buying it for the NHAO flights?

A I went on a flight and I met him in New Orleans,

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and watched the load, and he was out there. I don't know that he was the only buyer, but he most certainly was on that load. It was all surplus goods.

Q Did Mario tell you anything about shipping arms?

A No.

Q On the NHAO flights, did you pick up at different points or was it always the same loading point?

A The same loading point.

Q New Orleans?

A It was Miami and New Orleans. Most of it was out of New Orleans.

Q Where in New Orleans?

A Right at the airport.

Q Did SAT make any flights in either 1985 or 1986 to Havana?

A Sure.

Q Why do you fly to Havana?

A For the State Department.

Q For what purpose.

A We have a mission there. Gee, we probably flew on an average of once a month down there just taking goods to the people in the mission.

Q What kind of goods?

A Oh, construction material, autos, everything that they wanted, whatever they had. At Christmas, booze,

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turkeys.

MR. LEON: You don't get those down?

THE WITNESS: They have got a lot of room. It was just goods. Most of it was construction material for some reason. They were in the Swiss embassy, and they were rebuilding.

BY MR. LEON:

Q Did you fly into Guantanamo Bay?

A No, into Havana.

BY MS. NAUGHTON:

Q I don't understand. What were you saying about the Swiss embr[illegible]?

A That is where our mission is, is in the Swiss embassy.

Q Oh, okay.

MR. BECKMAN: We don't have relations?

THE WITNESS: We don't have any.

BY MS. NAUGHTON:

Q Do you recall reading a story -- I hate to bring up the press, but I want to get it on the record and you can flail away -- in the Philadelphia Inquirer regarding SAT flying parachutes out of the country, supposedly purchased from a man named Joe Smith?

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A Gee, I --

MR. BECKMAN: This is a load of parachutes we

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took, is that it?

BY MS. NAUGHTON:

Q Yes, to supply the contras, that he claims were actually flown by SAT.

MR. BECKMAN: Bought from Joe Smith?

MS. NAUGHTON: Yes.

THE WITNESS: I don't know anything about it.

BY MS. NAUGHTON:

Q Why don't you supply for us that one flight that SAT ended up flying into Nicaragua, not SAT flights into Nicaragua, but the April, 1986, incident.

A That was SAT.

Q Why don't you describe that?

A I was asked if we could do an air drop to the contras, that they were again in extremely dire need of supplies.

Q Was this by Gadd?

A Yes. I said, yes, we could. We had already been over many times that we could not fly into Nicaragua for insurance reasons, but we most certainly could do an air drop, and if it was [redacted] there was no problem with that, and so we did, went down, and made an air drop and as far as I knew it was very successful and never even heard of it until December.

Now, that is my fault, because I didn't ask for

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any debriefings afterwards. I just heard that it was successful and I said, Great, that is fine. That is the best I can tell you.

Q Who told you it went fine?

A Actually Gadd did. I didn't debrief the crew.

Q And when did you find out that the plane had actually flown into Nicaragua?

A In December.

Q How did you find out?

A My chairman called me.

Q How did he find out?

A He read it in the press.

Q How did they find out?

A I don't know. They talked to somebody.

Q Who was aboard the plane?

A No, I don't think so. I think that by then all the people involved there had gone to the winds and they had talked to somebody that was involved in the operation, and said yes, they flew an air drop into Nicaragua, and then as we checked further, said, yes, as a matter of fact we did.

Q Who told you that they had?

A Who told me that we had?

Q Yes.

A I think Paul Gilcrest. I think he was one I asked

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to check on it for me.

BY MR. LEON:

Q Did he fly?

A No.

BY MS. NAUGHTON:

Q Who did?

A Bonzo Van Haven and Martin Fernandez.

BY MR. LEON:

Q Do you have a flight log of that trip?

A Yes.

Q Is that something we have?

A Yes.

BY MS. NAUGHTON:

Q At this point were they contract pilots for you or what?

A Bonzo was, yes, but Martin was our chief pilot.

Q And did they indicate to you that they felt they had to have authority to go into Nicaragua?

A The crew?

Q Yes.

A Again, it is another flight. I didn't check with the crew.

Q I mean afterwards when this all hit the paper, what did they tell you?

A They felt that this was something that everybody

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was gung-ho for, and I am sure they were. I am sure they got all kinds of -- Colonel Steele was out giving briefings before they even departed, so I mean there wasn't any question in their mind that this was a well-approved flight.

Q What did Colonel Steele tell them?

A I don't know.

Q But he gave some kind of briefing?

A Yes.

Q Do you know where that was?

A [redacted]

Q What did he tell them if it was gung-ho?

A Well, you don't have a U.S. Army officer out there briefing you if you didn't feel that it was a U.S. Government flight, and they just followed their instructions explicitly. They told them what flight quadrants and patterns to fly down, what to look for. I am not saying Steele did it all, but he was most certainly along there with this staff. This is second-hand. This is what I was told.

BY MR. LEON:

Q Who told you that, Gilcrest?

A Gilcrest, who in turn heard that from Fernandez.

BY MS. NAUGHTON:

Q Do you know what they dropped?

A No, I don't.

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Q Also in April of 1986, SAT transported a washer and dryer to Switzerland for a Willard Zucker.

A What?

Q Do you know anything about that?

A No. A washer and dryer?

Q Yes.

A To Switzerland?

MR. BECKMAN: Who was it for, Willard?

MS. NAUGHTON: Willard Zucker, Z-u-c-k-e-r.

MR. BECKMAN: Who is he?

MS. NAUGHTON: He is a businessman in Switzerland.

MR. BECKMAN: Have you discussed with this --

MS. NAUGHTON: I think I did a couple of weeks ago.

MR. BECKMAN: With me?

MS. NAUGHTON: No, not with you. I am sure it was with David. It was EAST invoice No. 08709.

MR. BECKMAN: EAST invoice zero --

MS. NAUGHTON: 8709.

MR. BECKMAN: What did David tell you, or did he say he was checking?

MS. NAUGHTON: I don't recall. This was several weeks ago. We discussed a number of things, but I just wanted to ask Mr. Langton whether or not you knew anything about it.

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THE WITNESS: It sounds absurd.

BY MS. NAUGHTON:

Q Why would that sound absurd?

A They have washers and dryers in Switzerland. Why would we want to send them one, plus I never heard of the name before, but it doesn't make any sense to me.

Q This was a flight from Lisbon to Switzerland. Would you have flown to Lisbon for any other purpose?

A You are really throwing some curves at me. I am not aware of any flight from Lisbon to Switzerland.

Q Is that a route that you would remember?

A I would think so. It sounds like a charter, but I don't know why we would --

MR. BECKMAN: What airplane was used, do you know?

MS. NAUGHTON: I don't know that it would even say that on the EAST invoice, but I could look.

MR. BECKMAN: This is an invoice to EAST?

THE WITNESS: I have got a feeling that we have got some locational codes all mixed up here. It doesn't make sense to fly a washer and dryer from Lisbon to Switzerland.

BY MS. NAUGHTON:

Q It didn't to me either.

A Maybe if you can find what it is, where it is

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that you have got. It is an EAST invoice?

Q Yes.

A Maybe we can get some clarification. I know we bought a washer and dryer as Air ACE did for some of the people in Central America.

Q While we are on that, can I show this invoice for a minute? This is another invoice from EAST, Inc., made in 1986, invoice No. 80782, and it relates to an L-100 on a Defense Department contract apparently brokered by Gadd.

Was this an ongoing contract?

A This contract we have, and this is a service fee that I approved to pay EAST.

Q Is this a separate contract?

A Yes. It has nothing to do with Central America or Iran.

Q Or Sumarico?

A Or Sumarico.

Q This is a separate contract?

A Right.

MR. BECKMAN: This is not a document we provided though, is it?

MS. NAUGHTON: No.

BY MS. NAUGHTON:

Q When did this contract come into being?

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A May 1.

Q Was it just for one month?

A No, it went for five months.

Q And what was it for?

A For his services, his offices. We have a contract which is a classified contract and there are functions that he helps us with. It is professional services.

Q For his personal --

A His company's professional services. I hired him.

Q For a five-month period?

A Yes.

Q Can you tell me for what agency this contract was?

MR. BECKMAN: He has already said it is classified.

BY MS. NAUGHTON:

Q Can you answer that question?

A No, it is a DoD contract.

Q Rick, do you want to ask your questions now?

BY MR. LEON:

Q Let me ask for a few questions. We are going to break at 5:30 and reconvene tomorrow morning.

THE WITNESS: You mean you have more?

BY MR. LEON:

Q Let me just ask a few now and I will have some

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more tomorrow morning.

You were in the Coast Guard?

A Yes.

Q What years were that?

A 1965 through 1969.

Q Was that right out of high school?

A Yes.

Q Where were you stationed?

A The first year I was stationed -- well, the first year I was in school in Connecticut, became a radio man, and I was stationed in Seattle.

Q Where is the school in Connecticut, New London?

A It is actually in Groton, which is right in New London. I don't even think that is a Coast Guard school anymore. I believe it has turned into a community college since then.

Q Your specialty was radio?

A Yes. I was stationed in Seattle for two years and the last year in Vietnam.

Q So you were in Vietnam 1968-69?

A Yes.

Q Where in Vietnam did you serve? What was your unit?

A It was on the Coast Guard cutter Wachusett, W-44.

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Q Where was that located or stationed?

A Well, we were part of what was called market time operations, so we served from the DMZ all the way around to the Gulf of Thailand.

Q So you were there, what, a ten-month tour?

A Yes.

Q Were you on a ship the whole tour?

A Yes.

Q What was your job on the ship?

A I was radio man.

Q Did you have the same commanding officer the whole time?

A Yes.

Q Who was he?

A Now he is Admiral Lucas, L-u-c-a-s.

Q Where is he stationed?

A I think he is here.

Q Coast Guard?

A I think he is here now in Washington. The last I heard he is not commander of the Coast Guard yet but he is one of the --

Q Pretty high up?

A Yes.

Q At that time he was just, what, a Captain?

A He was a Commander.

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Q As a radio man, do you work with codes?

A Yes.

Q Secret codes?

A Yes.

Q What was your clearance back then?

A Secret crypto.

Q When you got out of the Coast Guard, you went to college?

A Yes, I did.

Q At the University of Washington?

A No, first I went to Shoreline Community College, and then I went to the University of Washington.

Q Where is Shoreline located?

A In Seattle.

Q Did you ever get a pilot's license?

A Never did. I am not a pilot.

Q When you started out with Flying Tiger, what kind of work were you doing for Flying Tiger?

A I was an analyst, numbers.

Q Did you have an accounting degree?

A No, I did not.

Q Business administration?

A Business administration.

Q Have you stayed active in ham radios?

A No, I have not.

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Q Amateur radio?

A I hated it.

Q Have you stayed in contact with Admiral Lucas over the years?

A I think I have met him twice since then, once in Alaska and he was Chief of Coast Guard Operations in the State of Alaska many years ago. In fact, that was the last time. I haven't seen him in months.

Q You were first introduced to Gadd by Bastian, is that correct?

A Yes.

Q Was he introduced as a lieutenant colonel?

A No.

Q Was he referred to as Colonel Gadd?

A No.

Q Did Bastian explain to you then when he introduced you how he knew Gadd?

A Yes.

Q What was it?

A Mr. Gadd came down with another gentleman who I really don't know, and introduced themselves, and explained what their needs and requirements were, so they introduced themselves.

Q They introduced themselves to Bastian?

A Yes.

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Q Were you present when that happened?

A No, this was before I joined the company.

Q You don't know to this day who that other person was who came with Gadd?

A No.

Q Do you know a description of him?

A No, I don't.

Q Do you believe Bastian knows who the other person is?

A He may. I don't know.

Q Have you ever had that person pointed out to you as having been the one who came with Gadd?

A No.

Q So you have never met or seen that person?

A I am starting to get confused. When I met Gadd, he was with one other individual, and I don't remember who he was, and I haven't seen him since.

Q Oh, I thought it was Gadd and Bastian, Gadd met Bastian, the other person was with him.

A At that time there was more than one and I don't know who they were.

Q You don't?

A It was Gadd and several others, and I do not know who they were.

Q But when you met Gadd the first time with Bastian --

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A Yes.

Q -- there was also another person present?

A Right.

Q Were you introduced to that person?

A Yes, I was.

Q Do you recall his name?

A No, I don't.

Q Can you recall his description?

A He was maybe 40, five foot, I will say, 11, slender.

Q White male?

A White male. He was also an attorney.

Q He is an attorney?

A Yes.

Q You have never seen him since?

A No.

Q Can you recall if Gadd has referred to him since in your presence, referred to him?

A No.

Q Did he have any kind of title or nickname or anything like that that sticks in your mind?

A It would stick in my mind but I don't recall any, no.

Q How about when you first met Secord?

A Yes.

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Q Was it Gadd who introduced you?

A Yes.

Q And who else was present?

A I believe Mulligan was with me and Dick Gadd and the General.

Q Was his title brought to your attention?

A No.

Q His position?

A He introduced himself as Mr. Copp.

Q Mr. Copp?

A And then the secretary came in in a few minutes and said, General Secord, you have a phone call.

Q Where was that? Where was that meeting?

A In this conference room, Mr. Gadd's conference room.

Q Out in Virginia?

A Yes, so we didn't call him Mr. Copp anymore.

Q Would that be Copp, C-o-p?

A C-o-p-p, I think is the way the Tower Report spelled it.

Q Did Mr. Gadd fill you in on General Secord's background?

A No.

Q Has anyone ever filled you in on General Secord's background?

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A Only what I have read in the paper.

Q Have you ever informed Mr. Gadd of your background in the military?

A Yes, I believe so.

Q Gadd?

A Yes.

Q Do you remember how long it was after you had met Gadd that you had done that?

A No. It is not a very exciting military background.

Q How about General Secord?

A I doubt that I ever discussed it with him.

Q Were you ever paid in cash by Mr. Gadd for any of the services that SAT rendered?

A No.

Q How about by General Secord?

A No.

Q Who if anyone do you know in Arrow Air's management? For example, do you know their president?

A You are asking me who I know over there?

Q Yes.

A Oh, I know George Bachelor.

Q What is his position?

A He is the owner.

Q Does he have a person under him who runs the

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business on a day-today basis?

A His son was, John Bachelor, I have talked to him on the phone several times but he is no longer president.

Now there is a new president and I don't remember what his name is as of last week. George goes through presidents on an annual basis.

Q Mr. Bachelor, the owner, was he the owner back in --

A Yes.

Q When you first did some subcontracting?

A Yes.

Q Did you bring Mr. Gadd over to meet him?

A No.

Q Do you know if anyone in your company did?

A No.

Q No, you don't know or no, they didn't?

A No, they didn't.

Q Have you ever had any discussions with Mr. Bachelor about Mr. Gadd or General Secord?

A No, I have not. I doubt that Mr. Bachelor even was aware of the sub services flown. That is just something that is just a routine piece of business.

(Whereupon, at 5:30 p.m., the deposition adjourned, to reconvene at 9:30 a.m., on Friday, March 13, 1987.)

end emm

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DEPOSITION OF WILLIAM G. LANGTON (RESUMED)

Select Committee on Investigate Covert
Arms Transactions with Iran,
U.S. House of Representatives
Washington, D.C.

425-6

Friday, March 4, 1987

The committee met, at 9:30 a.m., in room B-336 Rayburn House Office Building, the Honorable Lee H. Hamilton, Chairman of the Committee, presiding.

PRESENT: Richard J. Leon, Deputy Chief Counsel for the Minority; Kenneth Buck, Assistant Minority Counsel.

ALSO PRESENT: Robert Beckman, Counsel for Southeastern Air Transport.

Partially Declassified/Released on 1-18-88
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by N. Menan, National Security Council

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. MS. MAUGHTON: My name is Pamela Maughton. This is the second day of the deposition of Mr. William Langton. If everybody in the room can identify themselves, give your name for the record please.

. Mr. LEON: My name is Richard Leon, Deputy Chief Counsel for the Minority.

. Mr. BUCK: Kenneth Buck, Assistant Minority Counsel, same committee.

. Mr. BECKMAN: Robert M. Beckman, Counsel for Southeastern Air Transport.

. Mr. LANGTON: William G. Langton, President of Southeastern Airlines.

. MS. MAUGHTON: To start off, Mr. Beckman wanted to put some answers on the record regarding questions that arose at yesterday's session.

. Mr. BECKMAN: Yes, Ms. Maughton. You asked us to try to get the destination in Central America of a flight performed by Southeastern Air Transport with its own aircraft in December of 1985 [redacted] carrying Class E. explosives, and also the name of the pilot.

The destination is [redacted] and the pilot's nme is John Moore.

You also asked us to identify the bank from which the $150,000 was transferred regarding the Jet Star airplane. In this document number 1667, that we have produced, which

shows that money came from Credit Suiss via the Chase Manhattan Bank of New York.

Ms. MAUGHTON: Thank you.

BY MS. MAUGHTON:

Q Mr. Langton, is Mr. Moore still employed with SAT?

A Yes, he is.

BY MR. LEON: What is his first name?

THE WITNESS: John.

MS. MAUGHTON: We were on the subject yesterday. I think we left off on the subject of contra supply, support functions performed by SAT. I only had one other question in that area for now.

Q Was there anything unusual that happened during that operation from the time you began running it in around January of '86 until the time it ceased? Is there anything unusual that comes to your mind regarding any particular crisis?

MR. BECKMAN: Excuse me. Just on the basis that one day this transcript may become public, and some official of the press will take your question literally, you implied that Souther Air Transport was running the contra supply effort in your question.

MS. MAUGHTON: No, I said support.

MR. BECKMAN: We weren't running the support

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effort there. I don't mean to pick on you, because within the context of the way we have developed this, we all understand what we are talking about. I just wanted to ask you if you might want to clarify it a little.

BY MS. MAUGHTON:

Q In the course of your maintenance functions for the aircraft that was purchased by Gadd related companies to supply the contras, was there anything unusual that happened during that, let's say, nine month period from January through September of 1986 that you can recall?

A No, I can't.

Q It was just routine maintenance services?

A Yes. I mean, the whole function itself was unusual, so to say something more unusual, nothing I think stands in my mind now.

Q Can you tell us why Mr. Gadd was replaced by Mr. Dutton?

A No, I cannot.

Q What were you told when Mr. Gadd was replaced by Mr. Dutton?

A I was told by Mr. Gadd that Mr. Dutton, primarily General Secord, wanted to take a more direct operational control.

Q Did he say why?

A No, he did not.

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Q What was Mr. Gadd's attitude when he told you that? Was he angry at Mr. Secord? Was he glad to be rid of it?

A I think a little bit disappointed, but in the same sense, he is a realistic individual. That is what they wanted to do, fine.

Q Had Gadd given you the impression then that Mr. Secord was the one running the operation?

A Yes.

Q With anybody?

A No.

Q If we can turn now to the subject of the flights to Tel Aviv and Iran, could you tell us how that all came about to begin with?

A In, I think it was January, 1986, I received a call from Mr. Gadd asking me if I could come to Washington, and for me--which I did. I believe that was the meeting that I was introduced to General Secord as Mr. Cop, which within a few moments was clarified, and in that meeting, it was proposed, number one, it was a U.S. Government flight. What they wanted to do was fly out of Kelly to Iran. I took down the information and said we had problems for us to perform and we would get back to him.

Q Who explained to you this mission? Was it Mr. Secord or Mr. Gadd?

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. A Mr. Secord.

. Q And could you tell us as carefully as you can remember, what exactly he told you about the mission?

. A I can give you in general terms what it was. It was well over a year ago. I can't tell you exactly what was said, but the gist of the conversation was that they were trying, the U.S. Government was trying to establish relations with some moderates in Iran, and thus far, they had worked out an agreement that we would supply the Iranians with some Tow missiles.

I will take that back. I am not even sure we discussed what the cargo was at that meeting, but that there was some cargo to be moved into Iran, wanted to know if we could assist them, and I said, we had been happy to assist the government in their endeavor but we could not fly into Iran.

. Q Why not?

. A Insurance. It was very simply we have a loan at the bank that one of the very strict covenants is that we do not fly where we don't have insurance coverage and there is no insurance coverage flying into Iran.

. Q Who was at this meeting besides Mr. Secord, Mr. Gadd and yourself?

. A I believe Dave Mulligan came with me on that meeting.

. Q Was this in Mr. Gadd's office?

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A It was in his office, yes.

Q In Vienna, Virginia?

A Yes.

Q What did they say about the pickup in Kelly Air Force Base specifically?

A Nothing.

Q Who was going to make the arrangement?

A The arrangements were made by Mr. Gadd's office.

Q Did they tell you about any prior shipments made to Iran?

A Not in that meeting.

Q Later did they tell you?

A Yes.

Q Who told you?

A I think it was Mr. Gadd.

Q What did he tell you?

A He told me that some shipments had been made, and had not gone well. They needed a reliable carrier. That is why we were asked to assist.

Q What did he mean hadn't gone well?

A They were unreliable. I am assuming they didn't hold to the schedule that was laid out for them.

Q Did he say who the carrier was?

A No, he did not.

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. Q What did Mr. Secord say about whether or not this had White House approval or Administration approval?

. A He said it did have Administration approval.

. Q How did he say it, do you recall?

. A No, I don't.

. Q How did you get that impression?

. A It was very straightforward that this was a U.S. Government operation, and had the White House approval.

. Q How were you to get paid?

. A We were paid by General Secord.

. Q But when you discussed it at this meeting, when you asked how you were going to get paid----

. A I didn't ask at this meeting. I didn't even have a price worked up or anything.

. Q Once you did, did you ask how you were going to get paid?

. A Yes.

. Q And what was Mr. Secord's response?

. A We would receive a bank transfer.

. Q Did he say from where?

. A No.

. Q Did Secord give you the impression that it was he who was arranging the finances, or someone he looked at, to someone else? In other words, would he say like ''I will go to the bank'' or ''I will get the bank draft for you'' or

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"I will have the funds wired" or did he say "My people will, or someone will, or I will see to it that someone does?"

. A I don't recall any of those statements.

. Q I am not asking did he say those specific things. What I am asking is did you get the impression that he controlled the money or someone else did?

. A I got the impression he did.

. Q That he personally was sending the wire transfers?

. A That he was either personally or instructing. He controlled it. That was the impression I got. These transfers would not occur without his----

. BY MR. LEON:

. Q I was just going to ask at some point, did Secord introduce you to, or mention any of his subordinates, people who were working for him?

. A Well, I met Mr. Dutton.

. Q Okay. How about besides Mr. Dutton.

. A No, I never met anybody else.

. BY MS. MAUGHTON:

. Q Did you ask either Mr. Secord or Mr. Gadd about getting a government bond to fly in?

. A Yes.

. Q And was that at this first meeting?

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. A I don't think so. I really at the first meeting it was a conceptual meeting--is it something you could assist in, and what would it take. I then had to go back to the office and really discuss it.

. Q Did Mr. Secord or Mr. Gadd tell you that they did not want to get a government bond?

. A Yes.

. Q Or couldn't? What did they tell you about that?

. A We received a phone call at Mr. Bastian's house in which we basically--this is with Mr. Gadd. We said, look, there is only several ways of doing this. We cannot fly our airplane in there, unless we go to our insurance company and ask for a coverage, or the government can provide us indemnity, or buy your own airplane and basically self-insure. As far as I could see, that was the only three alternatives.

. Q What did he say as far as the possibilities of a government bond?

. A Mr. Gadd took that information and said thank you, and we really never came to a conclusion on that. Later, Mr. Gadd called back to me, said they did have a solution for it, and wanted somebody to come up to Washington. The discussion was that they didn't want us to go to our insurance company. They didn't want a government

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indemnity, and they weren't going to buy an airplane, but they had a solution. So I said, fine, and they sent Mr. Gilchrist up to meet with them, lay out the operations.

The reasoning was they did not want to have a broad disclosure of the operation. It was very, very sensitive.

Q That is why they didn't want the government bond?

A That is why they didn't want a draft, get an indemnity, nor did they want us to go to our insurance company.

Q And who was it that proposed this solution?

A I believe I did, after discussion with Mr. Bastian. That was the only ones we could come up with to get into Iran.

Q And how did you know you could use Israeli planes?

A That was their solution.

MR. BECKMAN: No, I think you two missed. You were answering who proposed, who thought up the three alternatives you put up. Ms. Maughton is asking who proposed the solution that was actually implemented.

THE WITNESS: I am sorry, I misunderstood.

BY MS. MAUGHTON:

Q Whose idea then was it to use SAT crews but an Israeli plane?

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. A General Secord.

. Q What did he tell you about the Israelis?

. A At that point I was not in the meeting, so nobody told me about it. I was briefed by Gilchrist when he returned.

. Q And what did Gilchrist tell you?

. A Just simply that they had some 707s, the Israelis did, that they were willing to let us use, and they could not use Israeli crews, and the question was could we provide crews, and the answer was yes.

. Q Did you have the crews file any kind of waivers or anything? Did you have them especially insured, anything like that?

. A No, I did not.

. Q Did you all for volunteers?

. A Yes, I did.

. Q At what point were you aware of what the cargo would be?

. A I believe after that meeting with Gilchrist, when he went up, that was when we found out exactly what the cargo was and so forth. That was an operating meeting.

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BY MR. LEON:

Q He was going to be the pilot?

A No, he was not the pilot on the first trip, but he was going to organize it.

BY MS. MAUGHTON:

Q Were there any special preparations you would have to make to ship Tow missiles?

A None.

Q Can you give me an idea of how many Tow missiles--what kind of a plane did you use for this operation?

A A Boeing 707.

Q And how many Tow missiles can fit in one?

A Pretty close to 500.

Q And so for the February flight you used two airplanes?

A Yes. We flew two aircraft into Tel Aviv, right.

A And they were each loaded with 500 Tows?

A Yes.

MR. BECKMAN: How do you know that?

THE WITNESS: My recollection is----

MR. BECKMAN: Based on what?

THE WITNESS: Based on what I was to do.

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MR. BECKMAN: Okay. That is the only point I thought should be brought out. I have sat through a lot of interviews, and there were just boxes. What is happening? Unfortunately, Ms. Naughton, there is so much people read subsequently that is being fed in, and I was thinking that what you are trying to get is a distillation of what he knows, not what he has read in the press.

MS. NAUGHTON: That question was simply a frame of reference question. There were so many flights I just wanted to get straight which flights we are talking about.

MR. BECKMAN: Sure.

BY MS. NAUGHTON: While you were making arrangements with Gadd and Secord to do these flights, did you ever get the impression that Secord or Gadd had done these kinds of flights before? That is flights into Iran from some other point?

A No.

Q When you say no, what is the basis for that answer?

A I didn't get the impression that they had done it before.

Q Did you get the impression this was a new venture for them?

A Well, as I said a little earlier, I was told that some flights had gone in there. I don't know that either

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Secord or Gadd were involved in them. In fact, I don't think Gadd was involved in them. Possibly Secord. That it had not gone well, and they were looking for a carrier that could take care of the problem. Their customer could have been the one that was looking for the solution, so I don't know how involved they were, I have not idea, but the information that at least a flight had been done prior to our involvement was very clear.

. Q Let's say, for instance, in terms of information that they gave you about landing in Teheran, how to do it, who would be there, how to conduct yourselves or whatever. Who gave that kind of information to either yourself or Mr. Gilchrist?

. A As far as I know, all of the information for the flights into Teheran was done in Tel Aviv by I believe Gilchrist, telling me Israeli intelligence.

. Q When you were introduced to Mr. Secord, or even subsequently, what was it that you understood that he did for a living?

. A My impression was that he was a broker, much as Gadd is.

. Q For what company?

. A For the government.

. Q Did you associate him with any particular corporation, any----

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A With Stanford Technology.

Q Why did you associate him with that?

A That is who answered the phone when I called.

Q When you called Secord?

A Yes.

Q Did you know what his position was at Stanford Technology?

A No.

BY MR. LEON:

Q Did you check out Stanford Technology in any way?

Q No, I didn't.

Q You were relying on Gadd's vouching for him in essence?

A Yes.

Q Was it your experience, had it been your experience before, Gadd, dealing with Mr. Gadd, that there were people, a lot of people out there, who would broker deals on behalf of the United States Government?

A It is like any industry. There are people who specialize in certain facets of it, and there is without a doubt people who specialize in brokering work for the United States Government.

Q Maybe I am just naive or inexperienced in this area, but it would seem to me that if someone were to represent to me that they were representing the United

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States Government in trying to make a deal, I would want some kind of letter or some kind of assurance, something to indicate, since they don't work for the government, they are not members, folks of the Department of Defense, that they are actually doing that. Unless I have misunderstood you, Secord never gave you or showed to you any type of authorization from the United States Government indicating that he was acting on their behalf, is that correct?

. A That is correct.

. Q So basically, you were relying, as I understand it, on his word that that is what he was doing?

. A That is correct.

. Q So I guess my question would be why would you just rely on his word?

. A Why not?

. Q Since you didn't know him prior to that first meeting with him.

. A I don't know why I would challenge it. I mean, Mr. Gadd, Gadd had worked with him for several years. Everything that he had said was done, and in any case, what he was proposing would not come about without total government involvement.

. Q Gadd--correct me if I am wrong again--when you were dealing with Gadd, Gadd wasn't brokering on behalf of the United States Government. He was dealing on behalf of a

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private fund-raising concern. Isn't that right?

A Mr. Gadd had DOD contracts, okay? And our arrangement with him on Sumerico--later to become East--were involved in DOD contracts. So separate that from Central American activity.

When I was introduced to General Secord, I was relying on Mr. Gadd's knowledge and contacts, that he was in fact representing the United States Government.

Q Did Mr. Bastian, did Mr. Bastian ever ask you to get some kind of an assurance or some kind of written confirmation to insure that Secord was in fact acting on behalf of the United States Government?

A No, he did not.

Q To your knowledge, did Mr. Bastian and either to you or anyone else, ever question--that is all, just question--the legitimacy of Secord's representation that he was acting on behalf of the United States?

A No, we did not.

BY MS. MAUGHTON:

Q I would like to get back to Kelly Air Force Base for a moment. Had SAT ever picked up material before at Kelly Air Force Base for any reason?

A Yes, we fly in and out of there everyday on our Log Air System.

Q And those are domestic runs?

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A Yes.

Q Is that correct?

A Right.

Q Did you ever pick up any material from Kelly and go on an international group?

A I don't believe so.

Q So there never have been any SAT flights from say Kelly to let's say Central America?

A None.

Q You seem fairly definite about that. Why is that?

A I would know about them. We have an operations meeting every morning, at 9 o'clock, which I attend when I am in town, and that would be an unusual run for us.

Q Do you know whether or not there are foreign commercial carriers that pick up at Kelly Air Force Base?

A No, I do not.

Q Could there be?

A I suppose. I have no idea, no way of knowing.

Q Is there a Fly America policy with DOD contracts? In other words, fly American airlines?

A I think there is a United States Government policy in general that says Fly America First. I like to think there is.

Q Have you or any member of your industry that you

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know of, made any complaints to either the Department of Transportation or the Department of Defense regarding the use of foreign carriers as opposed to American carriers?

. A In what respect?

. Q In respect to Defense Department contracts.

. A I don't now of any Defense Department contract that was lent to a foreign carrier. I have never heard of such a thing.

. Q Do you know whether any of the people working at SAT had ever seen foreign carriers at Kelly Air Force Base?

. A None that I have ever heard of.

. Q When you pick up at Kelly on a government to government run, are there any sort of customs procedures that you have go through?

. A I don't know. I don't know.

. Q Are those runs logged on your 217s that you file with the Department of Transportation?

. A Which runs?

. Q Your Defense Department Log Air runs.

. A No.

. Q Why not?

. A The 217 only calls for commercial charters.

. Q So am I right in saying that the only government agency that would have a record of those actual routes, actual runs, would be the Department of Defense?

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. A Yes.

. Q Getting back to the Iran flights, there were some flights made from Kelly to Tel Aviv and then from Tel Aviv into Iran in May of 1986. Is that correct?

. A That is correct.

. Q And then in the return flight from Tel Aviv to the United States, there was a back haul [redacted] is that correct?

. A That is correct.

. Q What was hauled [redacted]

. A Class CX explosives.

. Q And who arranged that back haul?

. A In our company or where?

. Q No, who gave you the instructions to stop and pick it up?

. A That was coordinated with Mr. Gadd's office.

. Q Gadd personally or someone else?

. A I think Gadd personally.

. Q Was it his idea to back haul?

. A No, I believe he was requested. The back haul was a request.

. Q From who?

. A From General Secord.

. Q Was there anything else taken in that back haul besides explosives?

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. A Not that I am aware of.

. Q And where did it fly? Did it pick up [redacted]

. A Yes.

. Q Do you know exactly where [redacted]

. A No, I don't.

. Q And where did it fly to [redacted]

. A I don't have the flight schedule. We gave it to you. I don't know.

. Q Was it [redacted]

. A I don't know on those flights.

. Q Was it at least Central America?

. A Yes.

. Q Were there any stops in the United States?

. A No.

. Q Do you know whether or not these were United States made explosives?

. A I don't know.

. Q Do you know who accepted delivery?

. A No, I don't.

. Q When you deliver something, I assume you make the receiver sign for it, is that correct?

. A That would be a normal activity, yes.

. Q And do you maintain those records?

. A For 90 days.

. Q And then you destroy them?

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A Yes, we do.

Q Would that be the manifest?

A I would think that would be on the manifest, yes.

Q What happens though if a customer disputes that he received a certain item after 90 days. How would you reconcile that claim?

A I suppose I would tell him to find himself a good lawyer. I have never heard of such a thing.

Q But that manifest then is their only record of the customer, the receiver, acknowledging they have received whatever materials you hauled, is that correct?

MR. BECKMAN: Excuse me. You are not sure because there are bills of lading, there are all sorts of documents?

THE WITNESS: The manifest is the shipping document. I don't know.

BY MS. NAUGHTON:

Q Okay. For the May Iranian trip, and the back haul, do you know how you were paid?

A I believe we received a bank transfer.

Q And did the transfer cover both activities? That is, the Iran flight, and the back haul?

A Yes.

BY MR. LEON:

Correct me if I am wrong. Was it your impression that the second half of the journey--the [redacted]-was it

your impression that that also was a United States Government response order activity?

. A No, it was not.

. Q Then why wouldn't it surprise you that you were getting paid for two separate acts, two separate missions from the same United States Government pay?

. A You understand the role of a broker?

. Q No. Go ahead.

. A Brokers is a function that goes out and brings the customers, collects the funds, arranges and pays for the service.

. Q And Secord was the broker?

. A Right.

. Q In that situation?

. A Right, and so I would expect that he had gathered his payment from the government for the first part. From whoever else on the second part.

. Q Let me stop you there. Who--was it your impression the others----

. A Private investigators.

. Q Private investigators. Did he represent that to you--General Secord?

. A Yes.

. Q And did he give you the name of the organization that these private investigators were in----

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A No.

Q A common interest in?

A No.

Q Okay, go ahead.

A And then I would get paid from the broker. It is just as normal as can be. We often try and put two packages together to give both parties the benefit of not having to pay for an return airplane.

Q And on your books--if you know, Mr. Langton--did you record those payments that you received separately, on your books?

A I don't know.

Q On the other hand, payments for two separate transactions?

A I don't know.

Q You don't know. Is that something you can determine?

MR. BECKMAN: We went into this in great detail with Mr. Mason. Every scrap of paper.

MS. NAUGHTON: We are not disputing that.

THE WITNESS: I don't know why I would separate it, but if he did--you know, Bob has his own reasons for keeping the books.

BY MR. LEON:

Q Did you direct him to do that?

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A No.

Q You relied on his judgment in that regard?

A Yes, I did.

BY MS. MAUGHTON:

Did SAT ever participate in the shipment of Israeli rocket propellers to Tel Aviv in the fall of 1986?

A Israeli what?

Q Rocket propellers.

A I don't even know what they are.

Q Did you do any shipments to Tel Aviv in the fall of 1986 that you can recall?

A Not that I am aware of.

Q Do you know whether Evergreen did?

A I have no idea. What is a rocket propeller?

Q Does SAT have a C-130?

A No, we do not.

Q Why don't you explain to us what a C-130 is?

A It is a military version of the L-100, which we operate.

Q Would it be safe to say that there are many carriers that have C-130s or is that an unusual aircraft to have in your inventory?

A No commercial carriers operate C-130s. It is a military airplane, with the exception of TAB.

Q What is TAB?

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. A It is Bolivian Air Force. It is a transport of Bolivia. Some countries have a difficulty deciding who is commercial and who is military, and that is one of them. I have complained about it several times to the DOT and no action has been taken.

. Q Why did you complain?

. A Because it is a military airplane painted in commercial colors.

. Q I see.

. A There are thousands of them out there. You let one start it and pretty soon I don't have a marketplace.

. Q Are they the only ones that do that to your knowledge?

. A The only ones I have ever seen, yes.

. Q To your knowledge, does the CIA ever take a military plane, take off and put on commercial markets?

. A I don't know.

. Q Did you ever, did SAT to your knowledge ever, let's say since 1985, since you have been with the company, fly any radar tubes either [redacted] or to Israel?

. A Not to my knowledge.

. Q Did you ever do any flights for Stanford Technology?

. A No, we did not.

. Q After the plane went down--was it in Nicaragua

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that it actually was shot down, the C-130?

. A Yes, I believe it was.

. Q After it went down in Nicaragua, could you tell me how it is you heard about that?

. A Well, first I got a call from Bob Dutton, who said the airplane was missing. This was the first I heard of it.

. Q What did he say about it? What was he going to do about it?

. A They were looking for it. It was just information that he was passing on to us.

. Q What is the next piece of information you hear?

. A Press out in the front yard. The plane was down. I saw it on the news.

. Q Did you call anybody to confirm this?

. A No.

. Q You just accepted the press accounts?

. A Yes.

. Q Did you talk to Dutton after that initial phone call about the plane?

. A I am sure I did.

. Q And what was the gist of that conversation?

. A I think I asked him who was the crew, if they new who the crew was, and he told me who he thought it was.

. Q Who did he think it was?

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. A He thought it was Bill Cooper and he wasn't sure about the co-pilot.

. Q What else did you discuss?

. A That was all. I had bigger problems at the time. We just lost our own airplane at Kelly, and that was taking all of our time, and so I really didn't spend a lot of time discussing that loss.

. Q How did that happen at Kelly?

. A At where?

. Q At Kelly?

. A It was pilot error.

. Q And it was your crew?

. A Our crew.

. Q Was it on one of the Log Air flights?

. A Yes, it was.

. Q Would you recall what you were hauling at that paint.

. A Just general cargo.

. Q Did you talk to Mr. Gadd about the C-123 going down in Nicaragua?

. A I am sure I did.

. Q What was the gist of those conversations?

. A Did he know who the crew was and does he know what happened. I mean, I was curious.

. Q What did he say?

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. A I think by the time I got to him they did confirm that. Buzz Sawyer was also on the aircraft, and they didn't know whether it was shot down or just crashed. They weren't sure.

. A When you discovered, I assume from the press, that they had connected SAT with that plane, first of all, did you wonder how they had done that?

. A Most certainly.

. Q And what did you do to discover how?

. A The press very clearly asked us whether it was our airplane, and we said no, it is not.

. Q Didn't you wonder how they got your name?

. A Well, the airplane had been parked on a ramp for months. It didn't seem odd that they would ask us.

. Q Did you discuss with either Mr. Dutton or Mr. Secord whether or not any documents, any SAT documents, were aboard the plane?

. A No.

. Q After the plane went down, which I believe was the first week in October, did you have any meetings with Mr. Dutton or Mr. Secord?

. A No, I did not.

. Q Did you have a meeting with Mr. Secord after these flights became public knowledge?

. A Yes.

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. Q Let me ask the previous question again. Did you have any meetings with Mr. Dutton or Mr. Secord after the first week in October of '86?

. A Yes.

. Q How many?

. A One.

. Q With whom?

. A With Mr. Secord and Mr. Dutton.

. Q Anybody else?

. A And Mr. Bastian.

. Q Where did this meeting take place?

. A At the Viscount Hotel in Miami.

. Q What happened at this meeting?

. A Well, Mr. Bastian and I asked him to come down. We had just spent nearly three weeks of reporters camping at our doorstep, climbing over our fences, of just simply being around, and we were very tried of it, and then on top of that, we had received a subpoena from the U.S. Customs for records, et cetera, and we thought it was time to sit down and talk, and so they were kind enough to fly down and reassure us.

. Q What did you say to them?

. A Get the heat off, and they said there is nothing they can do about the press. We knew that, and everyday was a new revelation anyhow. What I was finding out is we were

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a very good host, even better than I thought we were.

. Q What do you mean?

. A As they were going through, we became the stopping point for most of the crews, and we were very good to them. We helped them get tickets. We didn't need to do that. We could have turned it over to a travel agent, and we were good hosts, but we would do that for any customer.

. Q You learned that through the press?

. A Yes.

. Q So you discussed getting the press off our back and they told--Secord and Dutton told you there is nothing they could do about that?

. A Right.

. Q What else did you ask him to do?

. A The other thing that was clear, when we looked at the subpoena and they were asking for banking records and--a very broad subpoena--you know, basically it would be easier just to come in and thumb through all of our files.

One thing was clear to us is if we turned over those records, then it would immediately disclose the Iranian operation, and we wanted to make them aware of that. At this point it was still a totally sensitive operation.

. BY MR. LEON:

. Q At this point, you hadn't said anything to the press about who Dutton or Secord were or Gadd or anything

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like that?

. A Nothing, no.

. Q Had they in the past, either Dutton or Secord or Gadd, given you any directions with regard to how to keep records as to their business dealings with you?

. A None at all.

. BY MS. MAUGHTON:

. Q When you told them that disclosure of these records would reveal the Iranian operation, what was Mr. Secord's response?

. A Well, he was distressed, because the project was not complete yet, and he felt that they were very close to some major successes on it, and he said he would go back and discuss it in Washington and see if there was a way we could focus the investigation, what was the Customs'--what did they want and focus on that. We were hoping they could do that.

. BY MR. LEON:

. Q Had he given you the impression that by major successes the delivery of arms was linked to the release of the hostages in Lebanon?

. A At that point, yes.

. Q At that meeting, at the Viscount?

. A Yes.

. Q Was that the first time?

. A The first time I discussed it with him, yes.

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Q That wasn't going to be my question. It was close. Was that the first time he had given you that impression, that there was something between delivering the arms to Iran and the releasing of hostages in Lebanon.?

A I had never discussed that with General Secord at all.

A How about Dutton?

A Dutton I had.

Q How early on?

A I would say in the summer.

Q Of '86?

A Of '86, yes.

Q So after you had already made some deliveries--because the first ones were in May, correct?

A No, the first one was in February.

Q February, excuse me.

A Yes.

Q How did that come up? How was that Dutton brought that to your attention?

A Well, I guess it was just in a general conversation. In the very first place, it was an unusual request--to fly into Iran, okay--to say the least.

Q I would say so.

A The motive seemed right to me. If the government wanted to establish relations and there were modernists, we

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should do what we could to assist. It seemed only natural if we gave them something they wanted, that we in turn, for a show of good faith, they should give us something we wanted, and it did seem clear that the Iranian Government had some influence in Lebanon, and the only thing--it wasn't Padre we wanted, and we had enough rugs from the Shah's regime--so the only thing that would make sense that we would like to get out and have some influence, would be the hostages.

. Q So this meeting at the Viscount was the first time you had discussed that with Secord?

. A Yes.

. BY MS. MAUGHTON:

What did Mr. Secord tell you about the Customs investigation?

. A Just simply that we go back to Washington and see, meet with whomever, and try and see if it couldn't be focused. He was very clear that there should be no cover-up, and it would have appeared to be a cover-up, you know, to have a subpoena withdrawn or exert some influence, but he felt that there was a bona fide investigation, and that he would, at least at this point, try and see if it couldn't be narrowed down a little bit.

. Q Did you hear from him after that?

. A No.

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Q Have you spoken to him since that meeting?

A No, I haven't.

Q Has anyone at SAT, to your knowledge?

A No one has.

Q What about Mr. Dutton? Have you spoken to Mr. Dutton since that meeting?

A Yes, I have.

Q How many times?

A I don't know.

Q Five or 500?

A Maybe five.

Q And what did you discuss?

A Of course the first, when the Prime Minister of Iran came on TV, in that portion--Let me go back a step. One thing that Secord did want to know is would we, could we fly the final trip?

The answer is yes. Okay, we flew at the end of October. Everything came apart in the newspaper, and I did discuss it with Dutton, what was going on, basically what is going on, and he didn't know. Basically that was the conversation.

Q He didn't know what?

A He didn't know what the hell was going on with the press leaks. In my mind, this should have been and had been top national security, and here the press is disclosing an international negotiation, and it was obviously just

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coming apart at the seams.

Q What did Dutton tell you to do?

A Nothing.

Q Told you to do nothing?

A Right. I didn't ask him what to do. I just wanted to know if he knew what was going on.

Q Did you tell him to do anything?

A No.

Q When did you talk to Dutton again?

A I don't know. Within days or weeks.

Q And what was the substance of those conversations?

A Really, I guess more of the same. We still had never gotten any relief from the press. They were still writing the most outlandish articles in the world, and I guess all conversations thereafter was more of consult--not consultation, but condolences to one another for the kind of pressures that were being built in both of our companies.

Q Who did you understand Dutton to have worked for?

A General Secord.

Q What company? Stanford?

A Stanford Technology.

Q When is the last time you spoke to Mr. Dutton?

A I think about two or three weeks ago.

Q What did you discuss then?

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. A That he has a new product that he is selling. It is not wax but it is a coating put on aircraft to smooth out the air flow, and he wanted to know if we would like to do one of the aircraft and see if we could gather some statistics on improved fuel burn.

. Q Is he still with Stanford Technology?

. A Yes.

. Q And what was you response to that?

. A I would like to try it. It would interesting to see if we could save some money in fuel.

. Q And did you discuss this investigation?

. A No.

. Q Why not?

. A Wall, what is to discuss now?

. Q Did you ask him if he had been interviewed?

. A I don't think.

. Q Did he ask if you had been?

. A I don't think so.

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RPTS THOMAS
DCMN LYNCH
10:30 A.M.

BY MS. MAUGHTON:

Q Okay, we are back on the record.

We were discussing this meeting at the Viscount Hotel with General Secord, Mr. Dutton. Could you tell us, aside from the issue of the press and the issue of the subpoena from the Customs Service, what else was discussed?

A As I said, they asked us if we would not get cold feet and perform one more flight into Iran with, not a flight but provide crews for one more flight.

Q What was to be transported for that last shipment?

A I am not sure.

Q Did they say that they expected to release over all the hostages after that mission?

A I am not exactly sure. There was an indication in the conversation that they were very hopeful of the release of the hostages.

Q Was there indeed another flight--I believe on November 7th--from Kelly to Tel Aviv, to replace some of the missiles that had been sold? Did SAT participate in that?

A No, we did not.

Q So, October 28th was your last flight?

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. A That is correct.

. Q The Customs subpoena, was it withdrawn?

. A No, it just kind of went dormant when I finally talked to the agent, and I think he said he had the flu for a week and a half and he called me to see if I gathered all the documents, and I said we were in the process of doing that, and then I didn't hear from him for another week, and so it just kind of drug its own feet

. Q Do you remember his name?

. A Lasata.

. Q Rich?

. A Yes.

. Q And that was an administrative subpoena, is that correct?

. A That is correct.

. Q What happened to it, then? Did you produce all of those records?

. A I don't remember.

Bob?

. MR. BECKMAN: If I may try to give you my best recollection. We were told to hold the response to the administrative subpoena because he got a grand jury subpoena. We were told then they withdrew the grand jury subpoena at the last minute and we had all the documents ready for Customs.

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THE WITNESS: I think we did deliver them.

MR. BECKMAN: I can recall getting a receipt in your office.

THE WITNESS: He came and picked some up. I don't know if it was all of it.

BY MS. NAUGHTON:

Q Do you recall was this after the grand jury subpoena had been served?

MR. BECKMAN: And withdrawn.

MS. NAUGHTON And withdrawn?

MR. BECKMAN: Yes.

BY MS. NAUGHTON:

Q So, as I recall, you were scheduled to produce it before the grand jury or about December 18th?

MR. BECKMAN: No. I think it was about the 9th. Let me look at the calendar. I think I have a note.

THE WITNESS: I think he is right. It couldn't have been the 18th.

MR. BECKMAN: No, I came down on Monday night the 8th----

THE WITNESS: Yes sir.

MR. BECKMAN: It was originally for the morning of the 9th.

MS. NAUGHTON: Well, at any rate, you have provided for the record the grand jury subpoenas now and I have

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reviewed them.

BY MS. MAUGHTON:

Q Now, as I understand it, your appearance before the grand jury, your custodian appearance before the grand jury was canceled, is that correct?

A Yes.

Q Was it ever rescheduled?

A No.

Q Have you been interviewed by the FBI?

A I have been interviewed by FBI agents on assignment to the Independent Counsel.

Q Okay, let's break that down now. Prior to December of '86, were you interviewed in Miami by any agents?

MR. BECKMAN: Of the FBI counsel?

MS. MAUGHTON: Yes.

THE WITNESS: I was not, no.

BY MS. MAUGHTON:

Q Was anyone at Southern Air, to your knowledge?

A I believe Charles Carson met with two FBI agents in November, I think. I don't recall. We never heard any more from them.

MR. BECKMAN: I think that they were referred to talk to me.

THE WITNESS: FBI?

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MR. BECKMAN: I think it was the same people.

THE WITNESS: Heinz is with the Independent Counsel.

MR. BECKMAN: When we finally actually looked them in the face, he told us that he was with Independent Counsel, but I believe that he was referred to me and I said you will have to get in line, I am busy right now. Are you urgent? He said no, I am not urgent, I can wait. Then he finally said okay, now it is my turn.

BY MS. MAUGHTON:

Q Who is Charles Carson?

A Our Senior Vice President of Marketing and Administration.

Q Why did they want to talk to him?

A I think he was the only one in the office that day.

Q So, correct me if I am wrong, the next contact you had with a FBI agent was after the Independent Counsel was appointed, is that correct?

A That is correct.

MR. BECKMAN: Subject to what I have said, that I believe that on our behalf they had talked to me. They were referring these calls all up to me.

BY MS. MAUGHTON:

Q And Mr. Langton, when did you finally speak to an

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FBI agent regarding this matter?

. THE WITNESS: Bob, do you have that? It was the first of January. I don't know if it was the 5th or 6th. Whatever date that came in.

. MR. BECKMAN: I came on down the 13th, my calender shows I was down there on the 14th, 15th, and 16th.

. THE WITNESS: That is right, middle of January, that is right.

. BY MS. MAUGHTON:

. Q Is that the only time you spoke to the FBI?

. A Yes.

. Q How long did that interview last?

. A My interview with them was three hours, maybe. Was it longer than that?

. MR. BECKMAN: A day and the next morning.

. THE WITNESS: It wasn't a whole day. Yes it was. It was all day and part of the next morning, That is right.

. BY MS. MAUGHTON:

. Q And what questions did they ask you that we haven't asked you so far?

. MR. BECKMAN: I provided a memo of that.

. MS. MAUGHTON: I would like his answer.

. THE WITNESS: I don't know.

. BY MS. MAUGHTON:

Q Is there any area that they went into that we

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haven't gone into so far in this deposition?

. A I don't believe so.

. Q Did you give any answers to them that are different than your answers that you have given to us?

. A I sure hope not.

. Q To your knowledge are there any----

. A Not to my knowledge, no.

. Q Did you want to ask your questions before you left?

. MR. LEON: I will ask a few now.

. MS. NAUGHTON: I have more.

. BY MR. LEON:

. Q When you first met Mr. Gadd, the first time you were introduced to him, my recollection is it was Mr. Bastian that introduced you?

. A Yes sir.

. Q From that time forward, did Mr. Gadd give you any specific instruction or directions with regard to secrecy or confidentiality of what you were doing?

. A Well, Mr. Gadd continuously impressed us with the sensitivity of his work.

. Q Would that apply equally to Iran related work?

. A Iran related, we even went so far as to ask all the crew members to sign a secrecy oath.

. Q All right. Who provided that form?

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A The form came from Mr. Gadd.

Q Was it a standard type of form?

A I don't know. It is the only one I have ever seen.

Q Have you turned a copy of that over?

MR. BECKMAN: Yes.

THE WITNESS: I am the only one that didn't sign it.

BY MR. LEON:

Q Really?

A I think so.

Q They didn't ask you to?

A No.

Q How about with respect to the work you had done for Mr. Gadd in Central America?

A Never.

Q When Gadd came to Southern Air Transport, did he ever explain to you either on that occasion when you first met him or afterwards, why he came to Southern Air Transport, SAT?

A No.

Q As opposed to some other air line?

A No.

Q Did he very indicate why he felt he could trust and rely upon Southern Air Transport to do these sensitive

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type things.

. A He never told me anything. We never discussed that other than the obvious. We are a very professional organization.

. Q Did your organization do a lot of work of this nature, those highly confidential that shouldn't become publicly known?

. A No.

. Q What assurance did you think he felt that you wouldn't go public with what you were doing?

. A Our company in general keeps all whatever we do for our customers proprietary other than what we routinely report to the United States Government, Department of Transportation, we have never felt compelled or any desire to discuss with the public what we do for our customers. That is a company policy we have and----

. Q Mr. Bastian agrees with that?

. A He agrees totally with it. It is one that I insist upon and you need to understand air freight. In the first place, it is based on somebody's mistakes, so you normally don't like to talk about it.

. Q What do you mean? I don't think I understand that--somebody's mistake?

. A Most of your charters are always--if you really want to go back and dig into it, it is usually somebody

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didn't order in time, somebody broke something, or if you really wanted to, you could dig back and find out somebody makes a mistake and therefore you got to move it by air now. That is why I say it is usually somebody's mistakes. Time is of the essence. In any case, we have seldom ever discussed what we do in the public forum. No need to.

. Q All right, but the idea of transporting explosives and other supplies to the contras, that must have struck you, didn't it, as being something that would be very newsworthy, if it should become known?

. A Are you assuming that we transported supplies to the contras?

. Q Well, correct me if I am wrong, didn't you tell us yesterday that you were assisting Mr. Gadd in moving supplies to [redacted]

. A No, NHAO flights. Why would that be newsworthy?

. MR. BECKMAN: It was in the news, wasn't it?

. THE WITNESS: Yes, it was a normal part of the $27 million donated by United States Government to move humanitarian goods to the contras. We never tried to keep it a secret.

. Q You realized that was the kind of thing news might be interested in?

. A Yes sir.

. Q Now about the assistance that you were giving him

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with the special individuals that were privately raising funds?

A Yes.

Q That was the kind of thing that----

A We were concerned about it.

Q Was that something he wanted kept quiet, was it your impression?

A Without a doubt it is something that for obvious reasons you would not want to go public with it.

Q When you agreed to do it, did you realize that if it became public your company would become part of a focus of media attention?

A Not to the degree that it turned out. I can guarantee you that. No, there was no question that the disclosure of the operation would be of media interest and that would be too bad. The degree of which we have been turned into the focal point of this was nothing any of us ever dreamed of.

Q When, before you met with Mr. Bastian, and Mr. Secord and Mr. Dutton, at the Viscount Motel, had you and Mr. Bastian considered the possibility of explaining to the media what your role was and what you had been doing?

A We did explain that.

Q Prior to meeting at the Viscount Motel?

A That is right.

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. Q How did you do it, in a form of interviews?

. A We passed out press releases, we did not--we, I guess he did several short interviews, but none of that information was ever published.

. Q The information you gave the press?

. A Right.

. Q Why do you think that was?

. A Because it wasn't a good story. They felt their story was more, they sensationalized everything, okay, and we laid the facts out to not only the press but to our employees and gave the press a copy of that letter, what our total involvement was.

. Q Even with respect to the stuff, the activity that related to the secrets?

. A No, no.

. Q Had you been told that you couldn't discuss that with the media?

. A We signed a secrecy oath, most of the people in the company, and I was not about to discuss that with the media. It was of national security interest.

. Q You were specifically told that you were not to discuss it with the media?

. A I don't think anybody wasted their time to try to tell me not to discuss it with the media. I was not about to discuss it with the media.

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. Q When you got those signed by your employees, who did you turn them over to?

. A I didn't turn them over to anybody. I just kept them.

. Q Dutton had given you the forms?

. A No, Gadd had given me the forms.

. Q Has Gadd ever asked for those forms back?

. A No.

. Q You still have them?

. A Yes. You have a copy of them. Don't they, Bob?

. MR. BECKMAN: Yes.

. BY MR. LEON:

. Q With regard to Secord, had he ever reemphasized that at any time when you met with him?

. A No.

. Q Did you hire Mr. Gilchrist?

. A Yes.

. Q Was he already there before you got there?

. A No, we hired him.

. Q Can you tell us a little about his background? How old is he, for starters, roughly?

. A I would say he is in the mid-thirties.

. Q He is a pilot?

. A He is a pilot. I think we have a profile on him

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in there but the best I can tell you he is married, has three children, he was a corporate pilot until I believe 1977 or '78, which he was hired on at Air Florida and rose rapidly to be their chief pilot before they folded.

He went to Airborne Express, and in less than a year, we had him join us.

. Q Was he a former military pilot?

. A No.

. Q Had he ever served in the military?

. A Not that I am aware of. I don't believe so.

. Q Do you know where he got his pilot training then, his flight training?

. A Out at the local airport.

. Q When you first hired him, what was his position with you?

. A He was Director of Operations but our Vice President of Operations, he was the replacement. He was ready to retire and within six months I suppose we promoted him to Vice President of Flight Operations.

. Q Who would he answer to?

. A Dave Mulligan.

. Q In the chain of command?

. A Yes.

. Q In your meetings with Secord, General Secord, did the discussion of your record keeping ever come up?

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. A No.

. Q How about with Mr. Dutton?

. A No.

. Q Or Mr. Gadd?

. A No.

Let me qualify that. What do you mean by record keeping?

. Q Just the records to the extent that you have any records of your work for them?

. A No.

. MR. LEON: That is all.

. BY MS. MAUGHON:

. Q When is the last time you spoke to Mr. Gadd?

. A I think the last time I spoke to him was at dinner in December. No, I talked to him since then. Middle of January I believe. I ~~tell that~~ take that back. February. Probably middle of February is the last time I spoke to him.

. Q What did you discuss?

. A I don't recall totally but the basics of the discussion just was again now it was his turn in the barrel, he was getting a tremendous amount of media interest, and he was having some insurance problems as a result of some of the paper reports, and I consoled him.

. Q What did you tell him?

. A I told him I had been at it five months and I feel real bad for you. Hopefully it will all go away when

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all the investigations are over.

. Q What kind of insurance problems did he----

. A He had some again Department of Defense contracts and they called for bonds and his insurance company was raising rates and doing all the normal things that irritate one.

. Q For whom was he working now?

. A The same East, as far as I know.

. Q Did he mention that the FBI had interviewed him?

. A No.

. Q Did he mention if anyone from the Congress had interviewed him?

. A What he told me that he had received some six or nine subpoenas in the matter of two days covering various companies and as of yet, I don't believe anybody has interviewed him. He has, on advice of counsel, I believe he is pleading the Fifth and he is not talking, but he apparently has provided company comments of which you already receives some.

. Q Okay. Did he express any concern regarding any criminal liability?

. A None at all.

. Q Did he explain why he wasn't cooperating?

. A On advice of counsel.

. Q So it was his response was in the area of I

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didn't do anything wrong but my lawyers told me not to talk.

. A I guess. I wasn't there.

. Q Did he mention whether or not he had received any threats or promises from anyone regarding any cooperation?

. A No.

. Q Did he seem to have been threatened or been frightened of anything or anyone?

. A No, only he is concerned about his business.

. Q Had his business been threatened by anyone?

. A No.

. Q I have the same question about Mr. Dutton. In your conversations with him did he express that anybody had threatened him or----

. A Not at all.

. Q Did he seem frightened or in any way hesitant to cooperate with investigators?

. A I think if I recall, both Dutton, as well on advice of counsel, was not discussing anything with any investigator until they narrowed down what they wanted to discuss. I guess, I don't know, that was the advice of counsel.

. Q But he did not appear to be nervous or scared of anyone?

. A No.

. Q Did you tell us that after that meeting at the

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Viscount Hotel you had not spoken to Mr. Secord since then?
. A That is correct?.
. Q Have you been contacted by anyone on behalf of Mr. Secord?
. A Just the last time I talked to Mr. Dutton.
. Q Okay.
. A About the new product.
. Q But with the exception of Dutton and Gadd, has anyone from a Secord related company called you?
. A No.
. Q Now, did you and Mr. Bastian meet with Mr. Gadd in December of '86?
. A Yes.
. Q Was that toward the end of the month?
. A I think it was the 30th, if I recall, it was right at the end of the month, yes.
. Q Why was that?
. A Because Mr. Gadd decided to take a couple of days with his wife and get out of Washington and he came down and we invited him out for dinner.
. Q Did you discuss the investigation at the dinner?
. A Yes.
. Q What was said?
. A Very simply his counsel was advising him to go the route of the Fifth Amendment, and we said we were not

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going to do that, we at Southern Air Transport were going to be 100 percent totally cooperative with any bona fide investigative group. That was our position and that was his position.

. Q What did he tell you about your position, was he happy with that or upset?

. A Neither. If I recall one comment, I don't remember the exact words, but the gist was he wondered why his counsel was not giving him the same advice.

. Q Why? Because he thought he had done nothing wrong?

. A Yes.

. BY MR. LEON:

. Q Did it turn out by any chance that you and Gadd or Dutton, or Secord, had any acquaintance or friends in common from Vietnam, your experience in Vietnam?

. A Mine?

. Q Yes.

. A I was only a little boy. I had no acquaintances in Vietnam that they would know. But I do believe that Secord and Dutton and possibly Gadd, knew each other in Vietnam. That is only from some press article I read recently.

. Q Served together?

. A Crossed paths. They were all in the Air Force.

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BY MS. NAUGHTON:

Q As a point of information, the invoice I asked about regarding the washer and dryer to Switzerland, I will give you the information. I don't have the document with me because a colleague of mine has it. But apparently the document or the transaction occurred, the flight occurred on February 26, 1986. I have as invoice number 087019. Now, I have that listed as SAT invoice but I believe it is an East invoice.

MR. BECKMAN: It is not our number. I don't think we have produced 8,000. Is that an invoice number or the document number?

MS. NAUGHTON: No, invoice number.

MR. BECKMAN: No.

MS. NAUGHTON: It did not come from your documents?

MR. BECKMAN: I see.

THE WITNESS: Did not?

MR. BECKMAN: It is an East do

MS. NAUGHTON: Yes. However, they received an invoice from SAT, that is my point.

THE WITNESS: For it?

MS. NAUGHTON: That would be invoice 80709. It was apparently paid on in October of '86. The amount is $1,269.54, with their check number 1035.

THE WITNESS: Southern Air's check number?

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MS. MAUGHTON: East paying Southern Air Transport.

THE WITNESS: Okay.

MS. MAUGHTON: For delivering this washer and dryer.

MR. BECKMAN: This is a flight that occurred on February 26, 1986?

MS. MAUGHTON: I believe so.

MR. BECKMAN: It was paid for in October of '86?

MS. MAUGHTON: I believe so.

MR. BECKMAN: Are they that slow in paying?

THE WITNESS: The whole thing baffles me so.

MR. BECKMAN: What would you like us to do?

MS. MAUGHTON: What I would like to do is for the record--this is an important area for us----

MR. BECKMAN: Can you tell us why?

THE WITNESS: It is important?

MS. MAUGHTON: Yes. For the record we would like to request any information you can give us about that flight. Who arranged it, why it was done, perhaps what other cargo was aboard. I doubt that Southern Air Transport transported a washer and dryer by itself.

MR. BECKMAN: Can you give us the points of the flight?

MS. MAUGHTON: All I know is that there was a charter [redacted] with ultimate destination in Switzerland.

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I do not know if SAT flew the leg [redacted] to Switzerland. That would be one of the things I would want to know.

. MR. BECKMAN: Excuse me, if SAT is billing for transportation [redacted] to Switzerland, wouldn't it imply that Southern Air Transport flew between Lisbon and Switzerland?

. MS. NAUGHTON: I am not sure. Southern Air may only have flown from the United States [redacted]

. THE WITNESS: What is the total dollar?

. MR. BECKMAN: One thousand two hundred sixty nine dollars and fifty-three cents. We are not----

. MS. NAUGHTON: I understand all that.

. THE WITNESS: I will find out whatever I can about that.

. MR. BECKMAN: What are you going to ask?

. THE WITNESS: I am going to ask for that check.

. MR. BECKMAN: It is not our check.

. THE WITNESS: We got paid for something.

. MR. BECKMAN: East's check would go back to East. What information do you have that is going to enable you to get people to look----

. THE WITNESS: I will ask around.

. MS. NAUGHTON: The only thing I have right now, I will send you a copy of the East document and maybe that

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will help you, but it is SAT invoice number 087079.

. THE WITNESS: That is an SAT invoice.

. MS. MAUGHTON: If that reference does not help you, then I will send you a copy.

. THE WITNESS: Okay. It blows my mind anybody would send a washer and dryer all the way to where did you say, Switzerland?

. MS. MAUGHTON: Yes.

. MR. BECKMAN: What is the date of the SAT invoice?

. MS. MAUGHTON: 2/26/82.

. MR. BECKMAN: That is the date of our invoice?

. MS. MAUGHTON: Yes, I believe so. I don't know. Your invoice, I don't have a copy of the information.

. MR. BECKMAN: You implied the flight was on the 26th.

. MS. MAUGHTON: I don't know, but that is the date on the invoice. I don't know the date of the flight or the date of the invoice.

. MR. BECKMAN: All info re washer and dryer.

. BY MS. MAUGHTON:

. Q I am going to ask you a series of questions now regarding individuals and ask you whether or not you have either met them, spoken to them, or know of them. If the answer is yes to any of those three questions, then I would like you to elaborate what you know about them, or if you

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have met them, when, under what circumstances, and so on. I won't repeat all three questions for every individual.

MR. BECKMAN: Would it be correct clarification that knows them of own knowledge as opposed to having read in the press?

MS. MAUGHTON: That is fine. if you know of them, if someone told you about them, as opposed to reading about them in the newspaper or on television. All right?

THE WITNESS: Yes. I read a lot in the last few months.

MR. BECKMAN: Excluding what you read. It is hard to differentiate.

THE WITNESS: I will do my best.

MS. MAUGHTON: If you have heard of someone but you don't recall where, fine, say that.

BY MS. MAUGHTON:

Q Frank Gomez.

A Frank?

Q Yes.

A No.

Q What about Max?

A Yes.

Q Who is Max Gomez?

A Max Gomez was the liaison between [redacted] and Bill Cooper.

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. Q And you met him twice I believe?
. A I believe so.
. Q Do you know what his function was other than as liaison?
. A As far as I know, just liaison.
. Q Edward de Garay.
. A Yes.
. Q And have you ever met him?
. A Met him once.
. Q Edward, did you meet him?
. A Yes, I met him once.
. Q Under what circumstances.
. A I believe it was in Mr. Gadd's office and he was explaining to me that he was going to organize the pilots.
. Q Did he say anything?
. A No.
. Q He was silent?
. A I jut met him for a moment. I was never in a meeting with him.
. Q And who told you he was going to organize the pilots?
. A Mr. Gadd.
. Q Did you ever speak to Mr. de Garay other than that occasion?
. A No.

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Q Did your mechanics or anyone else ever discuss Mr. de Gary's functions with the contra resupply operation?

A No.

Q You never heard about him after that meeting?

A I heard from one of our technical guys, that we sent to take a look at an airplane that I think he wanted to fly away immediately, or something of that nature, and we said wait a minute, there is a lot of paperwork and a lot of thing that have to be done. He was a rather flighty individual. Ed Freize told me that. But I very seldom heard any more of him.

Q What about Raphael Quintero?

A Yes.

Q Have you met him?

A Met him once, yes.

Q Under what circumstances?

A He was with Max just in the lobby I believe, waiting to see Cooper.

Q The lobby of the SAT?

A Yes.

Q And what was his task in the organization?

A I don't know.

Q When you were introduced to him, how were you introduced?

A That this is Ralph.

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. Q Did you speak to him?

. A No, I just said hi.

. Q Did you ever say anything else to him other than that meeting?

. A No.

. Q Do you know where he lives?

. A I believe he lives in Miami.

. Q How do you know that?

. A I don't know. Somebody told me he had a company in Miami. I think I read it in the paper, as a matter of fact.

. Q Do you know whether or not he is there now?

. A I don't know.

. Q What about Ramon Medina?

. A Yes. I met him [redacted]

. Q How many times do you go to [redacted]

. A Once.

. Q That was on MHAO flight?

. A Yes.

. Q What was Ramon Medina doing when you met him?

. A I think he drove me to the hotel.

. Q From the airport?

. A Yes.

. Q What was his task in the contra resupply mission?

. A As far as I could tell he was a gofer.

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Q For whom?
A I think for Cooper.
Q Did you ever see him in the United States?
A No, I never did.
Q Do you know where he lives?
A No, I don't.
Q What about Luis Posada Carrilles?
A No.
Q What about Felix Rodriguez?
A Felix Rodriguez is Max Comez.
Q How do you know that?
A I read it in the paper.
Q So when you were introduced to him, which name was he using?
A I think it was Max.
Q Now, Mr. Cooper you knew, I assume, fairly well. Better than the others?
A Yes.
Q Did he spend a lot of time in SAT?
A Yes, he did.
Q What did he have to tell you about the operation? Was he happy with it, was he dissatisfied?
A No, I would not say he was happy. He was doing the best he could to run the operation.
Q What did he say about the financing? Did he ever

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. A I think yes, this fuel money was a problem for him. He told me once that everybody wanted him to fly and then they go out and couldn't get fuel for airplanes, didn't have enough money, enough cash. Everybody wanted cash and that was always an ongoing problem for him.

. Q Did he ever express to you the suspicion that part of the money might have been siphoned off by any of the contra leaders?

. A No.

. Q Did anyone ever express that to you?

. A No.

. Q Did they feel they were getting all the money that was coming in?

. A Who?

. Q Did Mr. Cooper?

. A Mr. Cooper only expressed problems with getting the funds that he needed for his daily operation, as I just explained. There was nothing beyond that.

. Q Did he ever complain about the behavior of any of the crews?

. A I think so. I think he fired a guy one day.

. Q Do you know what for?

. A No, I don't.

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Q Was it ever expressed around SAT, either involved in the contra resupply operation or involving the Iranian flights, was the National Security Council ever mentioned?

A No.

Q Did Mr. Secord ever mention the National Security Council?

A No.

Q Did Mr. Secord ever mention Oliver North's name?

A No.

Q Did Mr. Gadd every mention Oliver North's name?

A No.

Q Did Mr. Dutton?

A No.

Q Was Oliver North's name ever mentioned at SAT by anyone, to your knowledge?

A Yes sir.

Q What?

A After we flew McFarlane and the crew to Teheran in May, Mr. Gilchrist came back and debriefed me.

Q Did you know who Oliver North was?

A No.

Q Did you ask him?

A Yes.

Q What did he say?

A He said he though/he was with the National

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Security Council.

Q What else did he tell you about Mr. North?

A That was all. Said he carried a Bible.

Q He carried a Bible?

A He carried a Bible.

Q Did you think that was amusing?

A It was, after reading all the articles.

Q Did you ever meet Mr. North?

A No, I never did.

Q Every speak to him?

A No.

Q What about Mr. McFarlane?

A No.

Q No to both questions?

A No to both questions.

Q What about Poindexter?

A No.

Q Was his name ever mentioned at SAT?

A No.

Q What about Charles Tyson?

MR. BECKMAN: I was writing instead of listening. What was the answer on McFarlane?

THE WITNESS: No.

MR. BECKMAN: You said you didn't hear about McFralane?

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THE WITNESS: She asked me if I ever met him. I said no, or spoke to him.

BY MS. NAUGHTON:

Q You obviously herd of him from Mr. Gilchrist.

A Yes.

Q At any other point was he mentioned at SAT other than the May '86 flight?

A No.

Q What about Adnan Khashoggi?

A No.

Q What about Donald Fraser?

A No.

Q Ernest Miller?

A No.

Q Yaacov Nimrodi?

A No.

Q Al Schwimmer?

A No.

Q Michael Ledeen?

A No.

Q David Kimche?

A No.

Q Willard Zucker?

A No, except for you just mentioning it.

Q Very good.

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A First I have heard of the guy he got a washer and dryer.

Q Jacque Mossaz?

A No.

Q Thomas Clines?

A Yes.

Q This is C-L-I-N-E-S?

A Right.

Q Firstly, have you ever met Mr. Clines?

A No, I haven't.

Q Have you spoken to Mr. Clines?

A I don't know. I don't think so.

Q What makes you think you have?

A Well, as I said yesterday, when we were first asked by Mr. Gadd for the [redacted] trip, when we didn't have an airplane, he was--once we arranged for the sub-service, his name was given to us [redacted] I gave it to Dave, but I am not--I can't remember during that period if I made a call just as part of the coordination or not. I really don't recall. I know Dave talked to him several times.

Q And who does Mr. Clines work for, to your knowledge?

A I don't know.

Q And his name was given to you by Mr. Gadd?

A Yes sir.

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Q What did Mr. Gadd tell you Mr. Clines could or would do?

A The gist was coordinating the charter at the [redacted] end.

Q So in other words, Mr. Clines is responsible for having the cargo [redacted]

A Right.

Q Was there a problem with that facet of the flight? You told us that aixa air was late in getting to [redacted] Was there a problem with the loading there?

A Mr. Mulligan could explain it better. I think there was a problem on one of those two flights where the flight bringing the cargo in was delayed--snow storm or something--and it was putting the whole schedule into jeopardy.

Q Did you hear any information or rumors or anything that this cargo had come from Poland or other Eastern Bloc countries?

A Yes.

Q From whom did you hear that?

A Dave.

Q And what was his information?

A Well, I don't know he told me that. The delayed flight was coming from an Eastern Bloc country and I don't recall if it was Poland or Hungary or Albania. I don't

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know.

Q Did you or anyone in your company have any dealings with Mr. Clines after that?

A Not that I am aware of.

Q Did Mr. Gadd ever speak of Mr. Clines after that?

A Not that I can recall.

Q Did Mr. Dutton?

A Not that I can recall.

Q Did Mr. Secord?

A No.

Q What about Albert Nakim?

A I think I spoke to him once.

Q Do you remember under what circumstances?

A It was the same time as Clines, and frankly, I don't even know if I spoke to him either. But he was another name given to me to help coordinate this January of '85 charter and I recall he had a California phone number. I don't know, I remember--I don't know what good he is going to do me in California when the trip is out of [redacted]

Q Who had given you his name?

A Dutton had. I am sorry, not Dutton, Mr. Gadd had.

Q And this California number, do you recall was it a company or private residence?

A I don't recall.

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Q Did you call it from your office?

A No, I don't even remember if I even called it. I know I had it. I think I called them. If I did, I probably called from my office.

Q Do you still have that number?

A I might.

Q Could you please check on that for me?

A Sure.

Q Was Mr. Hakim's name ever mentioned after that episode?

A No.

Q Was his name ever mentioned in your discussions with Mr. Dutton or Mr. Gadd after the story broke?

A No.

Q They have never referred to Mr. Hakim?

A No.

Q What about Robert Lilac?

A No.

Q What about a Duane Clarridge?

A No.

Q Do you know him by Dewey?

A No, I don't know anybody by the name of Clarridge.

Q What about N. Ross Perot?

A I have heard of the name.

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Q Have you met him?

A No.

Q Have you ever spoken to him?

A No.

Q Do you know him only through the media?

A Yes.

Q What about Constantine Menges?

A No.

Q What about Nestor Sanchez?

A No.

Q What about Ted Shackley?

A I read it in the paper a couple of days ago. I don't remember.

Q Were you given his name as an associate of Mr. Clines?

A No.

Q What about Manuchehr Ghorbanifar?

A Only what I read in the paper.

Q What about John Hull?

A No.

Q What about Jack Terrell?

A Yes. What I have read in the paper.

Q Do you know anything else about Mr. Terrell?

A No.

Q What about Faith Ryan Whittlesley?

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. A No.
. Q Do you know who the Ambassador is to Switzerland?
. A No.
. Q What about Richard Brenneke?
. A No.
. Q What about Clarles Allen?
. A No.
. Q John McMahon?
. A No.
. Q Stanley Sporkin?
. A No.
. Q Amiram Nir?
. A Yes.
. Q Had you met him?
. A No.
. Q How do you know?
. A Mr. Gilchrist told me he was, that he met him in Israel.
. Q What about, what did Mr. Nir do in Israel?
. A Mr. Gilchrist told me he thought he was head of the antiterrorism reporting to the Prime Minister.
. Q Did he brief Mr. Gilchrist on Iran?
. A Yes. According to Mr. Gilchrist. He could answer that better than I. I believe he was on the flight.
. Q Okay. Did Mr. Gilchrist ever tell you or did he

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to your knowledge did he ever have the impression that any of these Israelis had shipped arms to Iran before this?

A No.

Q What about Graham Fuller?

A No.

Q Roy Furmark?

A I have read that in the paper as well. I have never met him.

Q Carl Spitz Channell?

A No.

Q Walter Miller?

A No.

Q Herman Moll?

A No.

Q Guri and Israel Eisenberg?

A No.

Q Sam Watson?

A No.

Q Colonel James Steele?

A I have heard the name.

Q Where did you hear the name?

A I believe he was military attache in El Salvador.

Q Did you ever meet him?

A No, I didn't, I don't think.

Q But some of your crew members did, is that

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correct?

. A No, I don't believe so. Except for the April flight that we did, I think, I believe, that our crew did meet him on that flight.

. Q Who did the most liaison with Colonel Steele?

. A I don't know.

. Q What about General Singlaub?

. A I have heard of him.

. Q Did you ever meet him?

. A No.

. Q Did you ever hear of him from General Secord?

. A No.

. Q Ever hear of him from Mr. Gadd or Dutton?

. A Yes sir.

. Q What did they tell you, what did Mr. Gadd tell you about Singlaub?

. A That he was, I guess, I don't know, involved in trying to gather relief goods for the contras. I think Gadd mentioned to me at one time that he considered him actually as a competitor.

. Q So he was not working in conjunction with Mr. Singlaub?

. A No.

. Q What else did he say about Singlaub?

. A That is all.

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Q What did he think of him?

A I don't know.

Q Did you ever speak to General Singlaub?

A No.

Q Ambassador Duemling. Other than the incident you described during the MHAO flights, did you have any other contact about Ambassador Duemling?

A No.

Q Did you ever discuss with Ambassador Duemling the shipment of lethal weapons?

A No.

Q To your knowledge, was he aware of the private funding aspect of the contra resupply?

A I don't know.

Q What about a man named John Mattes?

A No.

Q Adam Goodman?

A No.

Q Howard Teicher?

A No.

Q Elliott Abrams?

A No. I have seen him on TV.

Q Have you ever spoken to him?

A No.

Q Have you ever met him?

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A No.

Q Did either Mr. Secord, Mr. Gadd or Mr. Dutton ever talk about either Mr. Teicher or Mr. Abrams?

A No.

Q Do you know of any of your crew members or anyone associated with SAT had ever met Mr. Abrams in Central America?

A No.

Q You don't know, or they didn't?

A I don't know.

Q Donald Gregg?

A They never record to me and I would think that would be something they would report.

Donald Gregg?

A No.

Q Robert Owen?

A No.

Q How about a Bobby Owen?

A Bobby Owens. I have heard the name from Gadd I believe.

Q What did Gadd say abut Bobby Owens?

A No, he was helping in Central America. I don't recall what aspect of it, but he was somebody that Gadd had talked to about Central America.

Q What contact did Owens' name come under, why did

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he ever mention him?

. A I don't really recall. I think there was an operating snafu and I think he told me Bobby Owens was trying to get it worked out.

. Q Okay. Did he express and opinion of Mr. Owens to you?

. A No.

I will take that back. He said he was a very sharp guy, I remember that.

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RPTS CANTOR
DCMN MILTON
[11:30]

BY MS. MAUGHTON:

Q Back on the record.

I just have a couple more names to ask you, and again the same three questions apply. John Cupp?

A Yes, he worked for Dick Gadd, I believe.

Q When did you meet him?

A I am not sure I have ever met him. I have talked to him on the phone.

Q About what?

A About Central America.

Q What specifically do you recall?

A No.

Q What does he do?

A He is one of his operations guys. I don't know what he does.

Q And what was your impression of Mr. Cupp?

A A nice guy.

Q What about a man named Tom Posey?

A No.

Q I am going to ask you the same kinds of questions about some corporations, and ask you whether or not you have

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heard of them other than through the media or have had any dealings with them. CSF?

. A Only the bank transfer we received.

. Q You have had no other business with them?

. A No.

. Q What about Project Democracy; have you ever heard that?

. A Just what I read.

. Q The Vinnell Corporation?

. A Yes, I have. I believe Mr. Gadd used to work for them.

. Q How do you know that?

. A I think Mr. Bastian told me.

. Q Did you ever discuss that period of his employment with Mr. Gadd?

. A No.

. Q American National Management Corporation?

. A Yes.

. Q What do you know about them?

. A That is one of Mr. Gadd's companies.

. Q How do you know that?

. A It is on the door of his office.

. Q Where is EAST then? Is EAST on another door?

. A No. I never saw it on any door.

. Q How do you know he is from EAST then?

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. A I'm sorry?
. Q How do you know he represents EAST then?
. A Just because that is where I send my invoices.
. Q But to the same address as AKM?
. A Yes.
. Q Corporation?
. A Yes.
. Q What about the National Endowment for Democracy?
. A No.
. Q How about the National Endowment for the Preservation of Liberty?
. A No.
. Q Air Mack?
. A Yes.
. Q How do you know Air Mack?
. A This was a company Mr. Gadd used in contracting with MNAO?
. Q Is Air Mack also located at the same address as EAST?
. A Yes, I believe so.
. Q Is Air Mack on the door anywhere?
. A No, I never saw it.
. Q Correct me if I am wrong; your only knowledge of Air Mack is just that that is whom he used to bill the State Department?

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A That is correct.

Q Explain this to me. If Mr. Gadd contracted with Air Mack as a representative of Air Mack to provide these materials to the State Department, to NNAO, why is it that SAT billed EAST instead of Air Mack?

A To us they were all one and the same, and we already had a file on EAST. It is just easier that way for our own records.

Q What about Summit Aviation?

A I have just heard of them. I think they are the predecessor of Sumarico. This is long before my time.

Q Civilian Military Patrol?

A No.

Q Energy Resources?

A No.

Q Defex?

A Defex is the handler in Lisbon for our charters out of Lisbon.

Q To your knowledge, aside from the flights that we have discussed, [redacted] to Central America, have you done any other charters involving [redacted]

A Gee, I am sure we have at one time or another.

Q That would not be unusual?

A No.

Q The Council for Democracy and Assistance?

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. A No.

. Q International Business Communications?

. A No.

. Q Udall Research?

. A Yes.

. Q What do you know about Udall?

. A That was the company that when ACE acquired the Caribous, that the titles were transferred to the next day, and from what I read in the paper, they are also the company that developed the air strip in Costa Rica.

. Q To your knowledge, who owned the C-123s?

. A I don't know.

. Q Albon Company?

. A No.

. Q Vertex Finances?

. A No.

. Q Euro-Commercial Finances?

. A No.

. Q Triad America?

. A No.

. Q International Procurement and Sales, Inc.?

. A No.

. Q Galaxy Trading?

. A No.

. Q Operational Sub Group? Have you ever heard of OSG?

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. A No.

. Q Have you heard of a project called Project Condor Damavand?

. A No.

. Q What about [redacted]

. A Say that again?

. Q [redacted]

. A [redacted]

. Q Yes.

. A Yes.

. Q What do you know about them?

. A [redacted] I guess that was all.

. Q Where are they located?

. A [redacted] as far as I know.

. Q Did he meet with you or just phone you?

. A No, I met with him.

. Q In your office?

. A In my office, right.

. Q When was this?

. A 1984 sometime. I don't recall.

. Q Did you go into this joint venture?

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A No.

Q Why not?

A He was a competitor. I spent a year filing complaints to the DOT on Fifth Freedom.

Q Do you want to explain that?

A It means--Bob, you are better. That is your baby.

MR. BECKMAN: Fifth Freedom is a term of art which means flights by an airline of country A that operate between countries B and C, in this case [redacted] was seeking authority from the United States to operate between the United States and other countries in the Caribbean and Central America other than [redacted] which would be Fifth Freedom flights, and are normally approved only on a limited basis.

We objected that the volume of the flights and other characteristics [redacted] is uncertain, unproved background, and other defects that we pointed out qualified it in our submission for the approvals that the Department of Transportation gives as a matter of grace. There is no obligation to give them.

BY MS. MAUGHTON:

Q Was that complaint rejected or what happened?

A Continuously.

MR. BECKMAN: We sort of got--

THE WITNESS: We never got anywhere, but it wasn't

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just [redacted] All of the carriers were granted Fifth Freedom just as routinely as can be.

BY MS. MAUGHTON:

Q What defects did you point out in using this airline, in your complaint?

A Well, basically we felt that there was an excess of it. See--I will take you back a step--there was no commercial reason in the world for [redacted] as a nation or anything else to buy [redacted] Their application laid out a system of flights from [redacted] and there is no traffic, and that was one of our complaints. To us it was a flag of convenience, clear and simple flag of convenience. And we objected to it.

Q What do you mean?

A Flag of convenience is one that you would register your aircraft under a country that has no laws or no rules, and then fly wherever you want.

MR. BECKMAN: The significance of that in context, if I may try to be helpful, is that in international aviation, one country, in this case the United States, grants rights to the airline of another country, in this case [redacted] as a matter of international reciprocity and comity, but fundamental to the exchange of reciprocal rights is that the airline is a bona fide carrier of the

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other country. And we thought that there was no evidence that this company was in fact a bona fide national airline. Indeed, we pointed out that there was evidence to the contrary.

MS. MAUGHTON: What was the evidence to the contrary?

MR. BECKMAN: That all of the officers, directors and operators were [redacted] and people that had no connection with the country, that there was no one of [redacted] citizenship that seemed to have any control or ownership interest in the airline, and that is what Mr. Langton means by flag of convenience. It is an airline that is really only controlled by people other than [redacted] who are carrying the [redacted] flag as a convenience.

THE WITNESS: Just as in shipping, most ships are registered in Panama or Liberia, flags of convenience.

BY MS. MAUGHTON:

Q Is that the only aircraft, do you know of, that they own?

A I understand that is the only one that I saw or even cared about, but I understand that they also had an F-27 [redacted] and I think a Boeing 707 as well. I never did see those.

Q What would you use F-27s for?

A Moving people, passengers.

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Q People?

A Yes.

Q How many passengers would it hold?

A I am not sure. I think it is about a 25-passenger airplane, somewhere in that area. It would be a common one in the Caribbean.

[redacted]

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. A No.

. Q Did either Mr. Secord, Mr. Gadd, or Mr. Dutton ever mention that airway?

. A No. I take that back. I think Mr. Gadd did.

. Q What did he mention?

. A But I think I mentioned it to him. I said, This is just crazy what is happening to us, and I think I asked him if he knew anything about them?

. Q What did he say?

. A He said no.

. Q What about Dolmy Business, Inc.?

. A No.

. Q Hyde Park Corporation?

. A We received a bank transfer from them.

. Q Any other business with them?

. A No.

. Q Any other business with Lake Resources?

. A Any other business?

. Q Yes.

. A I didn't even know we had any business with them. Did we?

. MR. BECKMAN: I don't know whether we got a bank transfer or something.

. THE WITNESS: I don't recall anything from them.

. BY MS. MAUGHTON:

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Q Transworld Arms?

A I am not sure if that first sub service we did with Arrow, I think Transworld Arms might have been involved in that. I can't remember. Are they a Canadian firm?

Q I asked about them yesterday, yes.

A They may have been involved in that first shipment, I don't know.

Q But do you know how?

A No, I don't.

Q Had you ever done business with them since?

A No.

MR. BECKMAN: I am sorry, did you testify that you had ever done business with them?

THE WITNESS: No.

MR. BECKMAN: Okay, because the question was, have you done any business since, and that might imply you had done business before.

THE WITNESS: No.

BY MS. MAUGHTON:

Q I want to show you what you I have marked as SAT documents 2025 and 2026. They are billing instructions for the January 17, 1986, flight and a March 1st, 1986, flight. Could you look at those documents, please, sir, and just tell me what they are?

A They are billing instructions for two flights.

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This is the March 1st flight, is a flight [redacted] on, it looks like [redacted]

Q Could you decipher the three letter codes for me, first of all?

A This is Brownsville, Texas. We had an aircraft base there at the time. That is [redacted]

BY MS. MAUGHTON:

Q Is this a flight performed by SAT or by Arrow?

A By SAT, 525.

Q And is this part of the Gadd-related [redacted] flights?

A Yes.

Q Why would there have been all those stops between [redacted]

A For fuel, I suppose.

MR. BECKMAN: It is a long way.

THE WITNESS: When you have a full load onboard, you can't go very far.

BY MS. MAUGHTON:

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. Q To the best of your knowledge, those four stops, those three stops, [redacted] are fuel stops?

. A Yes.

. Q What is the stop in [redacted]

. A Fuel. I don't believe there is any fuel in [redacted] so they needed fuel to get home.

. Q It is your understanding that [redacted]

. A I really don't know. [redacted]

. Q And the January billing instructions?

. A This is just a charter down to, it looks like [redacted] is, and they went over to [redacted] and back to Miami.

. Q Miami, [redacted]

. A [redacted] Miami.

. Q What was this for, do you recall?

. A It looks like a MHAO.

. Q Regarding the supply efforts, I want to ask you a couple of questions about what you knew, not necessarily what SAT participated in, but were you aware that South African pilots were being used?

. A No.

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Q In the operation?

A No.

Q Do you know specifically that they were not, or you just don't know?

A I not only don't know but I don't believe they were.

Q Do you know whether they were used in 1985 to supply contras?

A South African pilots?

Q Right.

A I just said I don't believe they ever were.

Q What makes you think they were not?

A As far as I know there were two pilots that were not Americans or not Latins in that operation, and I remember Cooper told me. There were two English pilots that came down, sent down by Secord. Cooper told me all they did was they drank for two weeks and chased the brown-skinned girls, and they got rid of them.

Q Could they have been Rhodesian rather than English?

A I don't think so. What Cooper told me is they came down, they didn't know how to fly the airplanes that were there, this 123 or the Caribou, and he didn't know why they were there except they were sent down by Secord, and they made claims of having been involved in the--what was the island?

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. Q The Falklands?

. A The Falklands war, so that is why I assumed they were English.

. Q Do you recall approximately when this was? Was this early in the operation or late?

. A I don't think it was early, and because Secord was involved, I became more aware of who he was; I would think it was probably in May, April-May, sometime in that time frame. There wasn't any airplanes down there really before that. In fact, it was probably May.

. Q So no airplanes until late April?

. A The first Caribou got down there in February, and there was not another airplane until April, and that one was having a hell of a time running.

. Q Was that a C-123?

. A No, it was Caribou.

. Q the other Caribou. One other company I forgot to ask you about was Safair. Could you explain, first of all, who they are?

. A there are two Safairs. Which one are you referring to?

. A Why don't you tell me about both of them?

. A Safair South Africa is a cargo airline that operates L-100s and has a major maintenance base in Johannesburg, and then there is Safair U.S.A., which has

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since been renamed Globe Air, and we lease three aircraft from that corporation.

. Q The one in the United States?

. A The U.S. company, right.

. Q What aircraft do you lease?

. A Three L-100s.

. Q For what purpose?

. A For commercial purposes.

. Q But a particular contract?

. A No.

. Q Why do you lease them? Why not buy them?

. A In the beginning I came in 1983, the company had three aircraft. We needed to bid into Log Air, which was--we needed cash flow, a good steady cash flow. We made the lease arrangement with Safair U.S.A. to lease three aircraft. That gave us enough points for the craft system, and allowed us to go ahead and bid in and get part of the Log Air route.

. We didn't have enough money to buy any airplanes, and besides that, Safair U.S.A. did not want to sell them. They only wanted to lease them, and it was a perfect opportunity for both of us.

. Q Were these fairly new aircraft?

. A Yes, they were very low time. I think they had less than 10,000 hours on them.

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. Q Did they have any special features or functions other than a normal L-100?

. A No.

. Q Could they be used for air drops?

. A Any L-100 could be.

. Q Would you know offhand the tail numbers of these aircraft?

. A November 250, Sierra, Foxtrot SF, November 251 Sierra Foxtrot, November 965. That is not the full number, though, and no SF after that.

. Q Is there any particular like time you have these aircraft and time that Safair has them?

. A No.

. Q You just work it out on an ad hoc basis?

. A No, it is a dry lease. They are under our of spec.

. Q Put that in English for me.

. A We control them. They are our airplanes for all practical purposes.

. Q So any flights flown should be SAT flights?

. A Yes.

. Q By these aircraft?

. A Yes.

. Q And when did you lease them?

. A 250 and 251 in 1983, and 965 in 1984.

. Q To the present?

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. A Yes, we still have them.

. Q Did these planes ever fly missions to the Roosevelt Roads Hospital in Puerto Rico?

. A I am sure.

. Q What for?

. A We have a Mac contract. Roosevelt Roads Hospital?

. Q Yes.

. A I don't know anything about a hospital. There is a Roosevelt Roads Naval Base we fly to daily.

. Q And that is part of the Defense contract?

. A Yes.

. Q You told me then that the Defense contracts I thought were only domestic.

. A The Log Air-Quik Trans is domestic and then there is a Mac contract short-range international.

. MR. BECKMAN: It is called overseas.

. BY MS. MAUGHTON:

. Q When you say short, does that mean Central America?

. A No, a long-range international there is a criteria you have to have an airplane that flies so many miles and carries so many tons, and it was designed around 707s, DC-8s, now DC-10s, and 747s, and so there was--they just called the long-range international, it had to have that endurance capability.

. Short-range international is exactly that; it is

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for aircraft like 727 or L-100 or any aircraft that doesn't necessarily have to be long-legged.

Q I want to ask you about some specific flights then that those planes might have flown. The first one would be January 11, 1986, from Gulf Port Biloxi to [redacted] and then on [redacted] Do you know anything about that flight?

A [redacted]

Q Yes.

First of all, let's start with this: Were Buzz Sawyer, Van Haven, Wilburn and Huff ever employed by SAT?

A I don't know if Huff is.

Q Let's do Wilburn, Van Haven?

A He was employed by us, yes.

Q Do you know whether or not there was a January 11, 1986, flight?

MR. BECKMAN: Is that Andy Huff?

MS. MAUGHTON: I don't have a first name.

MR. BECKMAN: He was one of the people, one of the crew to Iran.

THE WITNESS: Yes, he was.

To answer your question, when was that, January of?

BY MS. MAUGHTON:

Q 11th of 1986.

A Of 1986, Sawyer, Van Haven, Wilburn?

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Q Yes.

A These are all EAST pilots under our ot specs contracted by us.

Q Contracted by you, and did you ever use any Safair planes, the three we are talking about, that were leased for any of the NFAO flights?

A I don't know. I don't know why we wouldn't. It is entirely possible.

Q So if there is a January 11, 1986, flight with this crew [redacted] would there be any reason other than the NNAO flight?

A I don't know. It could have been a charter.

MR. BECKMAN: Excuse me. Could we go off the record for a minute?

[Discussion off the record.]

MR. BECKMAN: Can we go back on the record now to clarify this point?

THE WITNESS: We have a fleet of aircraft. All are capable of flying anywhere in the world where we have insurance coverage, and I don't know that I would particularly exclude one aircraft over another from any operation.

BY MS. MAUGHTON:

Q Let's start with the crew. From January through March of 1986, the people whose names I mentioned earlier,

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they were on contract to SAT?

. A Yes.

. Q Correct? So if they flew to Central America, it was for an SAT flight, and not a Gadd contra resupply mission?

. A Yes.

. Q Correct?

. A Correct.

. Q So in that case I would like to ask you to provide to the committee, and I will give you the specific dates, of what these flights were. That would be January 11, 1986, in the route I had mentioned earlier, Biloxi to [redacted] and [redacted] February 19 through 20--

. MR. BECKMAN: Biloxi and [redacted]

. MS. MAUGHTON: Yes. Then February 19 through 20, 1986, flight from New Orleans, [redacted] to Miami.

. THE WITNESS: That was MMAO.

. MR. BECKMAN: [redacted] where else?

. MS. MAUGHTON: It was Miami.

. Let me give you the third and I want to go back. March 28, 1986, [redacted] to Miami.

. BY MS. MAUGHTON:

. Q On that flight that you mentioned in February, is that the time you went to [redacted]

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. A Yes.

. Q Why did it stop [redacted]

. A Fuel.

. Q Why [redacted]

. A That was as far as we could get. There is no fuel at [redacted] and wanted to go back to Miami, and that was right in route, and so it stopped [redacted] to pick up fuel.

. Q Did you pick up anything else [redacted]?

. A No.

. Q Do you remember where you picked up fuel in [redacted]

. A At the airport.

. MR. BECKMAN: Pam, I am not clear. We have given you, I am sure, the flight logs. We have given you every document we could find.

. MS. MAUGHTON: Yes.

. MR. BECKMAN: Relating to these flights. You want more than we have given you?

. MS. MAUGHTON: The only thing I want to know is if these were MMAO flights or other charters.

. THE WITNESS: Yes. that one I know is MMAO flight because I was on that one.

. BY MS. MAUGHTON:

. Q Just as far as the other two.

. A The other two we will be happy--well, I can guarantee you--the third one was [redacted]

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Q Yes.

A It is a NHAO flight.

Q And the first one [redacted]

A I don't know.

Q Might be, might not be?

A Might be, might not be. I will check on it. I will just have to check on it.

MR. BECKMAN: Let me make a note.

THE WITNESS: That was on January 11, I believe.

MR. BECKMAN: Yes. Is that right, Pam?

MS. MAUGHTON: January 11, right.

MR. BECKMAN: January 11, 1986.

BY MS. MAUGHTON:

Q Do you know of any visits or contacts by South African officials to Costa Rica or Honduras regarding help to the contras?

A No, I do not.

Q Do you know of a man named Colonel, it is Van Der Westhuizen?

A No, I do not. Tough names, aren't they?

Q Yes. I suppose ours are to them too.

Do you have any knowledge of an SAT plane being shot down in Zambia by the Zambian Air Force, which was rumored?

A Shot down?

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Q Forced down.

MR. BECKMAN: Do you know when this plane was shot or forced down?

BY MS. MAUGHTON:

Q October of 1986?

A Just a minute. We were diverted into either I thought it was Zaire. October of 1986, that would be about right.

We came out of Angola to Johannesburg for a seat check on one of our aircraft, but I don't remember whether--I thought it was Zaire. Maybe it was Zambia.

MR. BECKMAN: Diverted?

THE WITNESS: Just diverted, yes. They didn't have overflight rights. They changed the airways and the crew had to--what is Lusaka? That is Zaire, isn't it?

MR. BECKMAN: I think it is Zambia.

THE WITNESS: It is Zambia, yes.

MR. BECKMAN: You went to Zambia?

THE WITNESS: We were diverted into Lusaka.

MR. BECKMAN: For fuel or something?

THE WITNESS: No. They filed a flight plan that took us down the coast of Angola across down into South Africa, and then they changed the air traffic control, changed the airways, and so the crew went over I guess Zambia and then they said, Please come on down, so the crew

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landed and tried to get the overflight squared away, and they were actually arrested, and I had to go to--I came up here and worked with the State Department, and after two days they released them and they went on to Johannesburg.

BY MS. NAUGHTON:

Q Who did you work with at the State Department for that?

A There is an office specifically for U.S. citizens that are in problems in other countries, but I worked with a woman who had the Zambian--I mean that was her--

Q Her desk?

A Her area, yes, her desk, Robin something.

Q Robin was her first name?

A Her last name was Robin Davis or something of that nature, one of those dashed names.

Q And did you get the crew out?

A Yes.

Q Why did they arrest them?

A Well, six months earlier South Africa made a raid into Zambia, and attacked--

MR. BECKMAN: International Congress or something?

THE WITNESS: Yes, which they thought was a stronghold, and this scared the Zambians, and so every foreign aircraft--this is not uncommon, any foreign registered airplane is routinely stopped and people are

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arrested and questioned and then released, and in our case that is what it was.

It took several days, but they just let them go.

BY MS. MAUGHTON:

Q Do you remember who was in the crew?

A Yes. Basil Morris was the copilot. That was why we were kind of concerned. Our copilot was black, and often Africans are not kind to their own. They can be very brutal.

The captain was--I forget right now.

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RPTS THOMAS

DCMN LYNCH

12:30 P.M.

. Q Anybody else? Just a two man crew?

. A No, it was a full crew, plus we had a Mike Connelly was mechanic in our Angola project. He was on the flight as well. He had an eye infection that we wanted him to go down with the airplane and also get some medical help.

There were actually four individuals on the flight.

. Q And it started in Angola?

. A Yes.

. Q What was its ultimate destination?

. A Johannesburg.

. Q What was the cargo?

. A There was no cargo. Might have been an engine on board for repair.

. Q Was there anything secret about this flight?

. A No.

. Q [redacted]

[redacted]

. A No.

. Q How do you know that?

. A [redacted]

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[redacted]

Q In Angola?

A Yes.

Q Who told you that?

A I really don't recall.

Q When was that?

A When was I told that?

Q Yes.

A AT least two years ago.

Q Did SAT ever fly to the Kamina Air Base in Zaire?

A Not that I am aware of.

Q Did you ever have any contact with Savimbi forces?

A No.

Q Either inside or outside of Angola?

A No.

Q Did you ever supply them with supplies?

A No.

Q [redacted]

A I don't know.

Q Why would he be persona non grata there if he hadn't flown there before?

A I am sorry?

Q [redacted]

[redacted]

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. A [redacted]

. Q I see, to the government?

. A Right.

. Q I see what you are saying.

. BY MS. NAUGHTON:

. MS. NAUGHTON: In terms of the cargo going into Angola and so forth, on your diamond, diamond mining contract?

. A Yes.

. Q Did you ever have any assistance from U.S. representatives of any agency whatsoever in conducting those flights?

. A No.

. Q He mentioned a State Department at one time. Was that your only affiliation regarding any flights in and out of Africa?

. A With U.S. Government?

. Q Yes.

. A Yes. Maybe we flew some AID flights in the past. I don't recall any but----

. Q Okay. Was this business, did that come from what was formerly done by Trans Am?

. A Yes. Same contract.

. Q I do want to, so you can set the record straight,

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ask about a couple of articles, one appearing in the Post on December 20, and why don't you tell me if you have ever had any contracts inside South Africa involving oil spills as reported in the Post?

. MR. BECKMAN: December 20?

. MS. MAUGHTON: Yes.

. BY MS. MAUGHTON:

. Q Inside South Africa?

. A No.

. Q Have you ever done any work for the Government of South Africa, either in South Africa or outside of South Africa?

. A No.

. Q Here is the Post article if you would like to look at it.

. MR. BECKMAN: Yes, please.

. BY MS. MAUGHTON:

Then I would like to also look at the independent article, which I guess I will paperclip the independent article. If you could look through that.

. THE WITNESS: What is the Independent?

. MS. MAUGHTON: That is a good question.

There is it the Post article?

. MR. BECKMAN: Thank you.

(Document handed to counsel for his inspection.)

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THE WITNESS: What do you want me to look at here?

MS. NAUGHTON: You said you haven't seen it. I am providing it. Apparently there is a reference there to contracts you had in South Africa, one involving oil spills.

MR. BECKMAN: Did you mark this?

THE WITNESS: I read this article. In fact, here is what we thought got through taking 105 flights between Dulles and Bangala in one month is physically impossible. I remember this article.

BY MS. NAUGHTON:

Q Was that because the codes were different?

A Yes. I don't see anything about oil spills.

Q That is fine, your answer is on the record, so I gave you a copy of the article for your reference.

Could you turn to the independent article please, and we can just get your answer on the record.

A Are we in here somewhere?

Q The details--is this the December 9 article?

A Yes.

Q Details three separate arms shipments to South Africa, and the question is, does SAT have anything to do with those?

A No.

Q According to this, they are sending arms from Honduras to South Africa.

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. A Anyhow, if you want me to read it, I will read it.

The answer is no, we never shipped anything. As far as I know, we never have even shipped anything to South Africa.

. Q Okay.

. MR. BECKMAN: Certainly not have any business since, with them since the sanctions went into effect.

. THE WITNESS: No, no.

. BY MS. MAUGHTON:

. Q You are are aware of the Clark Amendment?

. A Yes.

. MR. BECKMAN: Tell me.

. MS. MAUGHTON: The Clark Amendment is similar to the Boland Amendment. It is an amendment dealing with the forces in Angola, and the government forces in Angola, and as of 1985, actually from '76 to '85, barred any assistance, covert or overt, to insurgent forces in Angola.

And so I ask you, Mr. Langton, to your knowledge, have you or anyone in Southern Air Transport provided any assistance, covert or overt, direct or indirect, to insurgent forces in Angola?

. MR. BECKMAN: No, we have not.

. Q One other question on the leasing of the EL-100s in Zaire. Was any official of the American Government involved in that or helped out or assisted in that in any

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way?

A No.

Q And any official of the South African Government?

A No.

MS. NAUGHTON: Those are all the questions I have.

BY MR. BUCK:

Q Mr. Langton, I am wondering a few things. Would about a few things I want to get through quickly. One is, a wire transfer I believe on June 18 of '86. Do you remember that? it is in the amount of $242,000?

A No, I don't.

Q You don't remember it?

A No.

Q See if I can refresh your recollection. It is $150,000 went to ACE and the $2,000 went to a flight account. Do you remember? Does that help any?

A Doesn't help me.

Q I think we can leave that alone then.

A Okay.

Q Did Mr. Gadd give you instructions to set up the ACE account?

A Yes sir.

Q You pass that on to Mr. Mason?

A Yes sir.

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. Q Did he give you money before you set up that ACE account?

. A No.

. Q Did you have any money to set up that ACE account?

. A Yes, we didn't know what it would take to set it up and I think Bob, I think he put $3 or $4,000 in to open the account. I don't recall.

. Q Okay. Who owned ACE?

. A It is a bare share company.

. Q Did Southern Air Transport own it?

. A No.

. Q Does Mr. Gadd own it?

. A As I said, it is really a bank account and the ownership really laid--I don't know.

. Q From January of '86 to November of '86, did you hear of Mr. North's involvement with the resupply operation for contras, this private funding organization?

. A No.

. Q Mr. Poindexter?

. A No.

. Q Mr. McFarlane?

. A No.

. Q Did anyone ever tell you who was raising money in the private sector?

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2934 . A No. As I said, I thought General Secord, that
2935 was what he was out and about.
2936 . Q So he was raising money and then also directing
2937 operations?
2938 . A As far as I knew, yes.
2939 . Q Did you feel that the raising money went beyond
2940 General Secord? Was there anybody above him?
2941 . A I don't know. I never even asked. I assume
2942 there were plenty of people around the world that were
2943 ready, willing and able to donate money.
2944 . Q Did money flow through SAT accounts to pay
2945 salaries and expenses of individuals that were stationed
2946 down in Central America? I am talking but the pilots
2947 specifically, and some of the operations?
2948 . A Not that I am aware of.
2949 . Q Did Mr. Gadd ever identify who he brokered for?
2950 . A You mean who his customer was?
2951 . Q Right.
2952 . A No.
2953 . Q Did you ever get the feeling that the customers
2954 for [redacted] flights and the ACE account were the same?
2955 . A I don't even--maybe you can rephrase that?
2956 . Q I am trying to get a feel for--he obviously
2957 represented several different customers. Did you ever get a
2958 feeling he was representing a few of these customers or that

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it was one customer for several different activities?

. A I never got that impression, no.

. MR. BUCK: That is all the questions I have.

. BY MS. MAUGHTON:

. Q I would like to go to one other area.

Along with what Mr. Buck asked, were you yourself ever asked to contribute to either contra resupply mission or any political action committee?

. A Myself personally?

. Q Yes.

. A No.

. Q Was the company?

. A Not that I am aware of.

. Q And we were discussing yesterday, as you recall, there was an invoice I showed you regarding a contract for Mr. Gadd's personal services from May of '86 for about a period of five months. Do you recall that?

. A Yes.

. Q What services was Mr. Gadd to perform for that contract?

. A Consulting services.

. Q What kind of consulting?

. A Mr. Gadd has DOD contracts that he performs routinely. We have a contract that I felt his services, his knowledge, would be beneficial and act as our Washington

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office liaison office, and that is what I hired him for--his office, his company.

. Q Were you aware at that time that Mr. Gadd was going to be terminated from Secord's operations in Central America?

. A Not at the time that I made the agreement with him, no.

. Q So that did not influence you?

. A It didn't have anything to do with it.

. Q I want to ask you some questions regarding that contract, and you indicated yesterday that that was classified material. Can you tell us what compartment classification?

. A I am sorry?

. Q Can you tell us what compartment or classification it required?

. MR. BECKMAN: I think top secret, or secret or confidential. What is the classification?

. THE WITNESS: I think, I don't know for sure, I think it is secret.

. MS. NAUGHTON: Mr. Back, do you have clearances?

. MR. BECKMAN: No.

. MS. NAUGHTON: What I am going to do, I understand Mr. Buck doesn't yet either. The reporters, however, are cleared. What I am going to do at this point is treat it

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like a grand jury session. I am going to ask about this contract of Mr. Langton. He is free to consult with you before and after every question, but unfortunately, no one without clearance can hear the answers.

. MR. BECKMAN: I understand, but I think we have an even more serious problem that maybe Mr. Langton has too. Could we go off the record?

. MS. NAUGHTON: All right.

(Discussion off the record).

. MS. NAUGHTON: Back on the record, and since this does involve some sort of classified material, what we wish to do is Mr. Langton, through his attorney, has agreed to provide us with the Defense Department contract number and the contracting officer whom this committee can contact for information, and for any clearances for any further testimony on this area.

Mr. Beckman, when do you think you will get that to us?

. MR. BECKMAN: I don't know when. I can get that to them early next week.

. THE WITNESS: Most certainly, early next week.

. MR. BECKMAN: Will that be satisfactory?

. MS. NAUGHTON: That is fine.

. THE WITNESS: We have to get back to the offices though.

. MS. NAUGHTON: If I am not in my office that will

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be fine.

Okay.

Mr. Buck, do you have anything else?

MR. BUCK: No.

MS. MAUGHTON: That concludes the deposition. Thank you.

(Whereupon, at 12:55 p.m., the deposition was adjourned.)

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DEPOSITION OF JOHN C. LAWN

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Thursday, August 20, 1987

U.S. House of Representatives,
Select Committee to Investigate Covert
Arms Transactions with Iran,
Washington, D.C.

The Committee met, pursuant to call, at 10:00 a.m., in Room 2203, Rayburn House Office Building, with Pamela Naughton, House Select Committee, presiding.

Present: On behalf of the House Select Committee: Pamela Naughton, Robert W. Genzman and Robert A. Bermingham.

On behalf of the Senate Select Committee: Hank Flynn and Tim Woodcock.

On behalf of the Witness: Dennis Hoffman, Chief Counsel, Drug Enforcement Administration.

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by K. Johnson, National Security Council

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MR. LANKFORD: My name is Tom Lankford. I am a Notary Public for the District of Columbia. Raise your right hand.

Whereupon,

JOHN C. LAWN

having been first duly sworn, was called as a witness herein, and was examined and testified as follows:

MS. NAUGHTON: My name is Pamela Naughton. I am staff counsel of the House Select Committee to Investigate Covert Arms Transactions with Iran. I would ask people around the room to please identify themselves.

MR. GENZMAN: Robert W. Genzman, the House Committee Minority Counsel.

MR. BERMINGHAM: Robert A. Bermingham. I am an investigator with the House Select.

MR. HOFFMAN: Dennis F. Hoffman, Chief Counsel, Drug Enforcement Administration.

THE WITNESS: John C. Lawn, L-A-W-N, Administrator of the Drug Enforcement Administration.

MS. NAUGHTON: Let the record reflect we will be joined shortly by Tim Woodcock, Associate Counsel of the Senate Select Committee.

Mr. Lawn, are you personally represented here today by counsel?

THE WITNESS: I am represented by Dennis Hoffman,

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yes, who is the Chief Counsel of the Drug Enforcement Administration. Dennis has been asked to come because of his responsibility to respond to all of the requests for files and for information and he is most knowledgeable about that information that is in the DEA file system.

MS. NAUGHTON: Okay. According to House rules, you can only be -- let the record reflect Mr. Woodcock and Mr. Hank Flynn, an investigator of the Senate Select Committee, have arrived.

Mr. Lawn, is it your decision or pleasure today, then, to be represented by Mr. Hoffman?

THE WITNESS: Yes. Mr. Hoffman is representing me.

MS. NAUGHTON: Okay. Fine. If we could get some background here first to start off with, could you tell us when you began in law enforcement?

MR. HOFFMAN: Before we start, I would like the record to reflect prior to the start of the deposition we did produce to you at your request a December 9, 1986 memo from AGENT #2 [redacted] to Mr. Lawn, captioned, "DEA in Support of U.S. Hostage Situation."

This document was not produced to the Congress before this date because of a request from independent counsel, Walsh, that it not be produced. Independent counsel has now waived nonproduction of that document, and

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we have made it available today.

MS. NAUGHTON: Thank you.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MS. NAUGHTON:

Q Could you give us background, then, on your law enforcement experience then?

A Certainly. I became a special agent of the Federal Bureau of Investigation in July, 1967. During the course of my FBI career, I served in Savannah, Georgia; Monterey, California; San Francisco, California; Washington, D.C.; Kansas City, Missouri; and San Antonio, Texas.

In April of 1982, the Attorney General designated me as acting Deputy Administrator of the Drug Enforcement Administration in Washington, D.C., and in July of 1985, I became the Administrator of the Drug Enforcement Administration.

Q In what month? July?

A July of 1985.

Q And who was the Administrator from, let's say, January 1985 until you assumed the post?

A My predecessor was Francis Mullen, Jr. Mr. Mullen retired as the Administrator of the Drug Enforcement Administration in February, 1985. I was named as the Acting Administrator until such time as I was confirmed by the Senate.

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Q We are going to start off discussing the activities of [redacted] and AGENT #1 regarding the hostages held in Lebanon and perhaps go into a couple of other areas.

Were you familiar with an organization called the Hostage Location Task Force?

A Yes, I was.

Q Could you tell us how that came to your attention?

A The Hostage Locator Task Force was formed in 1985 and it was formed from the Terrorist Incident Task Force--working group. I'm sorry. It was formed from the Terrorist Incident Working Group.

The purpose of the Hostage Locator Task Force was to have all government agencies furnish intelligence information made available to them or available to them on the potential location of the -- our American hostages in Lebanon, most specifically the location of Mr. William Buckley, who was a government employee.

Q And what precipitated the DEA's participation in this? In other words, whose idea was it and how did it come to your attention?

A The initial contact of the DEA was an informal meeting between an agent of the Drug Enforcement Administration, [redacted] Special Agent [redacted] and a neighbor of his, Mr. Ed Hickey. Mr. Hickey was then assigned to the White House. Mr. Hickey asked [redacted]

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[redacted] if DEA could be in a position to furnish intelligence information on the potential location of the hostages in Lebanon.

[redacted] remembering that DEA had an office in Lebanon -- our office in Lebanon closed in 1975 after the kidnap of our agent, the agent who is assigned in Lebanon. But the informants who were involved at that time continued to be handled [redacted] did not have any updated information on informant activity in Lebanon, approached another agent, [redacted] who was more familiar with overseas operations.

[redacted] and [redacted] then met with Mr. Hickey in the White House in January of 1985 to discuss the potential for us to ask the informants currently furnishing us with drug information if they could also provide for us information on the hostages.

Q But what I am asking about is how much of this did you know was going on. In other words, that they had been contacted by Hickey and asked these questions?

A I was certainly aware they were contacted. I was aware that they were -- they met with Mr. Hickey. They subsequently, after their meeting, after the meeting of [redacted] with Mr. Hickey, they came back to DEA headquarters and met with Mr. Frank Monastero, who was Chief of Operations for DEA and with his deputy, Mr.

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David Westrade, to determine whether DEA would approve our supplementing our drug intelligence with trying to furnish information on the location of the hostages. This was approved by the Administrator.

I was aware that it was approved by the Administrator. And we initiated what we called an SEO, a Special Enforcement Operation, targeted at drug intelligence coming out of Lebanon, and it was from this SEO that we hoped to task the same informants with furnishing us whatever information they could develop on the location of the hostages in general, but specifically on Mr. Bill Buckley.

Q So -- now this SEO is that 471?

A That is SEO 471. We then, in initiating the operation, then put $20,000, DEA funding, into the initiation of this SEO.

Q Now, you say this was targeted at drug intelligence that you would obtain from sources in and around Lebanon. What I am asking is if a source gave only drug information, would it come from that account or would it come from some other account that was already established?

A At this point we didn't know. We didn't know whether our sources were in a position to furnish any information. [redacted] The SEO was merely to determine whether or not we could be an

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effective mechanism in developing positive information on the location of the hostages. So this was just a query by DEA headquarters to determine whether informants, most familiar with Lebanon, could be in a position to help, nothing more.

Q Was that account established with your approval?

A The account was established with my tacit approval. I was the deputy. Mr. Mullen was the one who initiated the SEO, but I certainly was aware that it was initiated.

Q Do you know whether or not [redacted] met with Mr. Mullen over there?

A No. [redacted] did not meet with Mr. Mullen to my knowledge. The meeting that was held to initiate the SEO was a meeting between Frank Monastero and Bud Mullen.

Q If we can get this straight, then, from the outset, from the beginning of the activities, then let's say in January, February of 1985, through November 1986, who exactly reported to you about the activities of [redacted]?

A Okay. The SEO was established and at the same time we had assigned Mr. Abraham Azzam, A-Z-Z-A-M, as our point of contact with the Hostage Locator Task Force. Mr. Azzam was tasked with joining the Hostage Locator Task

Force. And this was based upon a memo that we received, that all agencies received from the White House, a memo dated February, 1985, indicating that this Hostage Locator Task Force was being formed. So Mr. Azzam was then our representative to the Hostage Locator Task Force.

Mr. Azzam himself was familiar with Lebanon and was familiar with some of the informants that we would be contacting in this SEO, and the reporting procedure was for [redacted] to be in contact with Azzam so that whatever information was developed, Azzam was sharing with the HLTF.

In May or June of 1985, because of lack of communication among the agent personnel, I believe I received a phone call. I don't recall a phone call, but as well as we can construct it, I received a phone call from Colonel North telling me that there was a lack of cohesiveness between [redacted] and Azzam; that Azzam was being not cooperative in our actively pursuing the location of the hostages, and asked if [redacted] could be the point of contact for DEA.

Again this was May or June. At that point I called [redacted] and told [redacted] he would be the point of contact with the -- with Oliver North and the National Security Council, because Abe was given a new assignment

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with a new deputy coming into DEA. At that point [redacted] point of contact was ostensibly me. I would contact [redacted] on a periodic basis, ask him to come to my office to give me a status report on whether we were having any success or no success, and I met with [redacted] perhaps on five occasions to get an update as to whether we were having any success or lack of success in locating hostages in Lebanon.

Q Did you ever meet with [redacted] on this subject?

A At this time -- I never met separately. I did not meet separately with [redacted] I don't think I met with [redacted] at all on this operation.

Q All right. And while Mr. Azzam was in it, until about June of 1985, did you meet with him on this subject?

A I met with Abe -- met with -- I talked with Abe about our efforts in Lebanon in May of 1985 and this conversation in May of 1985 had to do with some information that was developed by one of the sources in Lebanon which was ostensibly some proof that spies in Lebanon had located Buckley, and that Buckley could be found and Buckley could be successfully taken out of Lebanon. And it was because of this meeting and the confusion that this meeting engendered that I believe I received that call to cut

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Abe Azzam out of the reporting plan.

Q If we can go back, then, and take it chronologically --

A Sure.

Q Now, please correct me if I am wrong. In the initial conception, the case was that [redacted] and Azzam were going to be working to gather information for the Hostage Location Task Force, of which Azzam was the DEA representative. Is that correct?

A Right.

Q It was not a separate operation in your mind.

A That is right.

Q Did you receive any call from Ed Hickey at the White House on or around March of 1985 regarding this?

A I don't recall a call from Mr. Hickey.

Q In my notes of your interview, I have that you received a call in March of 1985 from Ed Hickey regarding whether or not Agent [redacted] could be made available to the White House for this operation. Do you recall that?

A I don't recall.

Q You had told us earlier Hickey had called you about a personal problem of [redacted] and this was the second time.

A Well, he had called Bud Mullen about the other problem, but that was prior to Bud's retirement. No.

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I'm sorry. I don't recall that call.

Q This is just what my notes say, and please tell me if you recall it or you do not.

You stated, according to my notes, that Hickey had told you he anticipated this would be just a one or two time meeting or that might have been your understanding from your conversation, and then later Hickey called you to request that Agent [redacted] also participate in this.

A I don't recall, but if the call was received, it would not have been in March or April because [redacted] and Hickey and [redacted] had met several times in January and February and it just doesn't seem logical that Hickey would call me in March to ask if they could meet because they had already met several times.

Q Do you recall discussing with Mr. Hickey at all the activities of [redacted] at any stage?

A No, I don't.

Q Do you recall [redacted] telling you in or around March of 1985 that he had met with Oliver North on this issue and North had asked him to do several things?

A I know now that at a February meeting at the White House -- this was a meeting with [redacted] General ~~Caifield~~ Caulfield, I believe, and Poindexter, mention was made that the agents should meet Colonel North.

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Colonel North was not available at that time. But in late February North did invite [redacted] over to the White House Mess for breakfast, where they discussed the potential for SEO providing any information at all on the hostages, but specifically on Bill Buckley.

Q You mentioned that you know that now. How as it that you came to know that now?

A Well, we have -- in May of 1986 -- in May of 1987 we had asked two of our senior personnel to conduct background information on what had actually transpired between [redacted] and Oliver North, exactly where the agents involved with it, and it is as a result of those interviews that were conducted by our two senior personnel that we now know about these other meetings.

Q All right. Was that for the purpose of gathering information to report to you?

A That was -- the purpose of that was to determine whether administrative action will be appropriate against those individuals involved in this hostage location intelligence probe, if they were not furnishing me all the information with which DEA was involved.

Q All right. Is this in the nature, then, of sort of an internal affairs investigation?

A Administrative inquiry, yes, internal affairs, if you will, OPR. We had to clear it with the special

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presecutor so that we won't jaundice any ongoing investigation with which they were involved because when we conduct an internal inquiry, we have to indicate to the personnel whether it is an administrative inquiry or a criminal inquiry. So in this case we spoke with representatives of the special prosecutor, told him we were going to go forward with this inquiry, and it is based upon this, that I now know about the given chronology of meetings.

Q So these interviews included interviews of [redacted]

A Yes.

Q If you could then in response to my questions, if you could specify to us the state of your knowledge that was contemporaneous with these events happening as opposed to what you have subsequently learned so we keep it straight in the deposition.

A Sure.

Q I don't want to impart knowledge to you that you only recently learned.

A Do you want me to go through chronologically what I knew? Would that make it easy?

Q That is what I thought we had been doing.

A I was trying to fill in some other activity. Okay.

Q Okay.

A January of 1985 I was aware that we were going to initiate an SEO 471 based upon the recommendation of

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Chief of Operations, Frank Monastero, with Administrator Bud Mullen. I certainly was aware we put $20,000 into that MEO. That is normal procedure. I was aware that in February the agents made their initial contact with one major source and subsequently a second source who were to enter Lebanon and to return with some preliminary analysis.

Q Okay. If I can stop you there, then.

A Okay.

Q The person to whom you have referred to as the major source, we have been calling source one and not using any names so that we know who we are talking about.

A Fine.

Q Do you know source one?

A No.

Q Okay. Do you happen to know whose source he was? In other words, was it Mr. Azzam's source or [redacted] source? Did you have a clear indication either way?

A No, but I know -- I am not sure I knew -- that both Mr. Azzam and [redacted] had worked with this source at some time during their careers. Who developed the source, I don't know to this day.

Q Did anybody report to you after this February meeting that they had with this source?

A No.

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Q So when you --

A Let me just throw in another -- on the 7th of February, 1985, we had an agent kidnapped in Guadalajara, Mexico. The entire focus of DEA worldwide was ongoing in Guadalajara, Mexico, until the body was recovered on March 12. So that is not unusual for a SEO to be initiated and for me not to get a daily briefing on the status of an SEO.

Q Right. What I am asking is did you have contemporaneous knowledge in February of 1985 that this meeting had either occurred or was --

A No, I did not.

Q So you never received a report about that meeting?

A No, I did not.

Q When is it, then, that you first learned that they met in February of 1985 with the source?

A I don't think I ever had direct information that they met other than the fact Mr. Monastero in March told me that several of the sources who had been contacted [redacted] and were ready to be debriefed on whatever information they developed and that he was going to contact Mr. Azzam, who was out of the country attending an international drug enforcement meeting somewhere in Europe, I believe, to ask Azzam [redacted] to meet with these sources to get whatever information they could develop on

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the hostage location. Monastero and I did talk about diverting Azzam's trip for this purpose.

Q Okay. I gather you gave your approval?

A Yes.

Q I have sort of a general question at this point. Before either [redacted] would travel on this account and for this purpose, would they seek permission from you?

A No.

Q Do you know whether or not they would seek permission from anyone in your office?

A Absolutely. Not from the administrator's office, but certainly from operations. They would seek approval from their immediate superior, who at this point was [redacted] and they would prepare vouchers.

They would do what we normally do in the course of our activities.

Q Would [redacted] report to you at all?

A No.

Q The cutoff date is somewhere around July of 1985 when they ceased using DEA funds to fund their operational expenses. Would they then, to your knowledge, report to [redacted] of their travel plans and so forth?

A I believe when I told North that Azzam would be

assigned to a different function that they could deal directly with [redacted]. I had asked John McKernan, who was my Executive Assistant at the time, that in my absence if [redacted] were to ask authority to travel for the SEO, that McKernan should grant that authority, and that was in the May, June, July time frame.

Q So let's say after June of 1985 when [redacted] needed to travel or [redacted] needed to travel, would they then seek your permission or that of Mr. McKernan?

A If I were there, [redacted] would ask my permission. If I were not there, he would seek McKernan's permission.

Q And the times you can recall where he did seek your permission, did he tell you what the trips were for?

In other words, would you discuss it in any kind of detail?

A General terms. We are going to meet the informants in New York. The informant has just come out of Lebanon with some information. We need to travel, so forth.

Q Did he ever report to you any operational plans?

A None.

Q And when [redacted] had to travel after this June 1985 time period, would [redacted] ask you for permission for [redacted] to travel?

A No, no.

Q Were you then unaware of when [redacted] was traveling?

A I was unaware of when [redacted] was traveling in point of fact, after June of 1985 I was unaware when [redacted] was traveling.

Q All right. Now you have got me confused.

A Well, in June, I guess I was involved in some travel and I don't know what travel I was involved with, but I had told Mr. McKernan if [redacted] had to travel and I was not available, McKernan was to approve it. After that [redacted] did not come to me for authority to travel. Mr. McKernan retired in November of 1985, so he certainly didn't come to McKernan for authority to travel.

Q All right. So is your testimony that after June of 1985 you were not aware of either [redacted] or [redacted] travel?

A Right. That is right. Is that clear now?

Q Yes.

A I know it is difficult because as a matter of fact Dennis followed up with John McKernan and asked McKernan did he recall when he authorized travel, and John didn't recall. He remembered the conversation when I gave him authority to give [redacted] authority. He didn't recall how long he exercised that authority.

Q Did he recall it at all, ever authorizing?

A He recalled my giving him the authority, but I don't believe he recalled ever using that authority.

Q Let the record reflect the witness has consulted with counsel prior to answering that question.

Now, at some point in the spring of 1985, were you aware that Oliver North was either part of the task force or at least had the account for the hostages and was involved in this effort?

A In April or probably May of 1985 -- it was May of 1985 -- I went into Mr. Azzam's office and Mr. Azzam showed me [redacted]

Mr. Azzam told me that he was skeptical [redacted] and that he had discussed this evidence, if you will, with Mr. North at the White House and had suggested to Colonel North that Colonel North contact the CIA because the CIA also -- was also skeptical [redacted] The reason that was important was because [redacted] was necessary to bribe individuals in Lebanon to assit in getting Buckley out.

The FBI [redacted] CIA believed that [redacted] were not [redacted] Mr. Azzam --

Q Did Azzam tell you that?

A Yes.

Q That both the FBI and --

A And CIA did not believe that [redacted] were bonafide and that North was upset with Mr. Azzam because Azzam was holding up what could be a good opportunity to effect the release of Mr. Buckley.

Q What, if anything, did you tell Azzam to do?

A I agreed with Mr. Azzam's position that we should not move forward and continue an operation or ask for financial support for an operation if we were not satisfied that what we had received was any good evidence that Buckley had been located.

In drug law enforcement, special agents talk about not fronting the money and Abe said that this was clearly not good information, and that we should not encourage the CIA to produce the money to further this part of our effort because the information was not valid. Instead, Abe had recommended that the informant be given specific questions to ask to the individuals in Lebanon, questions relating to the family of Mr. Buckley, Nicaraguan names, something that only Buckley would know before the operation moved forward and Mr. Azzam told me at that time that North was clearly unhappy with Azzam's decision.

Q Now was this the first you were aware that Oliver North had any involvement in this operation?

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A I would say, yes.

Q If we could digress for a minute, at around the same time did you have any experiences with Oliver North concerning any drug cases, specifically regarding the shipment of cocaine from Colombia through Nicaragua?

A There was a meeting held in the White House about an ongoing investigation that we had involving cocaine trafficking from Colombia through Managua, Nicaragua into the United States involving a pilot defendant, now deceased, and we were attempting to develop that information or to develop that investigation.

The participant from DEA headquarters who conducted that briefing when he returned from the White House indicated to me that there was one person at the briefing who expressed some concern over that investigation continuing. But that is the only reference that we have to North involving himself in any DEA investigation.

Q Okay. The DEA agent, after briefing the White House--was Oliver North part of that briefing?

A Oliver North was part of that briefing.

Q And your agent reported back tc you that --

A Right. He didn't report back to me. He returned to brief his superior, to brief Dave Westrade on the meeting. I said, "How did the meeting go?" He said the briefing went fine, but he had some words with

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somebody at the briefing, Colonel North, about the jeopardy we might be putting our informant in by sending the informant back into Nicaragua to pick up the investigation.

Q So North's concern was -- were that the informant would be in peril if he went in?

A I am not sure what his concerns were at the time because quite frankly, it didn't matter what his concerns were. We continued our investigation nonetheless, but as I say, I do recall that conversation with our individual, and I received subsequent calls from several other individuals expressing their concern about the investigation continuing.

Investigators call investigative shots. I don't depend on parliamentary procedure for conducting an investigations.

Q Did North request a briefing?

A No.

Q Who requested a briefing?

A I am sorry. I don't know.

Q And did the passing through of these drugs through Nicaragua involve anyone connected with the Sandinista Government?

A We had sent an aircraft back to Managua during this investigation, which we had equipped with cameras and the cameras recorded the loading of cocaine on the aircraft

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by individuals who were in uniform.

Q And would that be the uniform represented by the government of Nicaragua?

A Could be. Could be. We assume that it was. One of the individuals identified in the photograph, I believe, was a Fredricko Vaughn, who was an under secretary or former minister. At a prior -- this goes back a while -- but at a prior meeting between the informant and individuals in Managua, the informant flew into Managua, landed at what he believed to be a secure part of the facility protected by the military. It appeared protected by the military, and I believe that was a trial run.

I believe the informant was to fly in to see where he would land the aircraft when at a future date he would be taking cocaine from Colombia. As he took off -- he came under ground fire. The military shot him down. He was arrested and within a day was released based upon the personal intervention of Fredericko Vaughn.

Q Because presumably Vaughn thought he was part of this conspiracy to move the drugs.

A Oh, Vaughn knew that the informant was part of the conspiracy, certainly.

Q All right. Was North briefed then on this facet of the operation?

A On which facet?

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Q In other words, the photographs showing that the military people or people in military uniforms were loading the cocaine and so forth?

A Yes, yes. North was part of that group who saw the photographs which were photographs, I believe, that were circulated at the meeting by a member of the Intelligence Committee.

Q What you told us last time is that when the DEA representatives arrived to do the briefing on the operation, that North actually had the photographs already [redacted] Do you recall that?

A That could be, yes.

Q All right.

A We did not bring the photographs to the meeting, that is right. [redacted] the photographs were already available to the people who were briefed.

Q All right. So North already had the photographs [redacted]

A Had them, certainly had them during the meeting. Whether he had them prior to the meeting, that is speculation. I don't know that to be a fact.

Q Was information of this operation also leaked at some point to the press, specifically the Miami Herald?

A Information was leaded to the press.

A Do you know the source of that leak?

A Do I know the source? No, I don't.

Q Do you have an opinion as to who the source was or did you at that time?

A I may have an opinion, but I am not going to share that opinion.

Q All right. What was your reaction when you found out that North had received photographs of that operation [redacted]

A North was part of the briefing. I was disturbed that anyone would share information on a very sensitive investigation, ostensibly involving the lives of DEA agents or people cooperating with DEA. I was upset with any of a number of people for being or becoming aware of our operation.

Q Did you or any of your people make this known to North, this concern of yours?

A I did not. I am sorry. I did not. Someone in our organization did, and I don't recall who specifically did because I believe it was Frank Monastero who told me that -- and this was perhaps several weeks later -- that North told DEA -- whom he told, I don't know -- that he was not the one who leaked the information.

Q So supposedly Mr. Monastero had approached the subject with Colonel North.

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A Either Mr. Monastero or someone else, perhaps the briefer at the initial White House meeting. I don't know who. But Frank -- Mr. Monastero, was the one who told me that North said that he was not the source of the leak.

Q Did you subsequently receive any information regarding North's use of these photographs in any fund-raising activities for the contras in Nicaragua?

A No, I did not.

Q Is that a closed case now?

A Yes. The investigation is closed.

Q Is the informant still living?

A No. The informant is dead. The informant was killed.

Q Can you tell us when?

A I don't know the exact date. The informant was a defendant informant, was tried in Louisiana, was acquitted and was on probation at the time he was shot and killed by individuals hired by the so-called Madaine (ph.) Cartel, the Colombian traffickers, that subsequently were arrested in Louisiana, I think, Baton Rouge, and were recently acquitted of the crime.

Q Were they acquitted for killing him because he was an informant in this particular case you just described?

A They were acquitted of killing him. They were

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acquitted of murder, I believe.

Q Now, this episode that we have just described, did that take place in the spring of 1985?

A As near as I can recall it was the spring of 1985.

Q Had you had any contact with or did you know of Colonel North prior to this, the briefing of Colonel North regarding this cocaine operation?

A I may have heard his name mentioned, but, no, I had not met Colonel North. I think [redacted] several times had mentioned that Colonel North was pleased with the progress that was being made in the development of information, but, no, I had not met Colonel North in any of the meetings I had attended.

Q If you can place these two events in time for me, then, that is the April or May meeting with Azzam where he [redacted] and you discussed the validity [redacted] and the episode involving Colonel North and the drug operation, which came before which?

A I am sorry. I can't do that. The meeting with Abe would have been mid May. Our operation in Colombia -- I'm sorry. I don't know. Certainly within a 60-day time-frame. It would have been April or May, perhaps early June of 1985, but without going back into the chron file,

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I just don't recall.

Q Now, if we can get back to Mr. Azzam [redacted] Was it your understanding, then, when you left your meeting with Azzam that they would try to take additional steps to glean more information?

A Yes. It was my understanding that we would task the informants to go back to Lebanon to contact their sources and to specifically task their sources with answering specific questions which give us better indication as to whether someone was in fact in contact and talking to Mr. Buckley.

Q And what is the next thing you remember happening?

A That would have been the time frame that Azzam -- that someone asked me and I presume it was North -- called and asked me to change the reporting procedure to not have Azzam as the point of contact for [redacted] Again, now I know the reason, part of the reason was that when Azzam expressed his concern over [redacted] and then suggested to North that North contact the CIA, who would be in a better position to have someone who knew Buckley [redacted] North didn't do that.

Azzam, himself, went to the CIA, showed the CIA [redacted] and at a subsequent meeting Azzam indicated that North was unhappy with Azzam; that Azzam went to the CIA for -- ostensibly for the CIA to agree with Azzam not

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to furnish [redacted] for the operation.

Q You did not know that at the time?

A No.

Q The next thing you knew after your mid May meeting with Azzam was you got a call from Oliver North Is that right?

A I don't remember the call, but I did contact [redacted] that Azzam was out of the chain of command, that [redacted] would be reporting directly to me on any future endeavors with which we were involved involving the hostages in Lebanon.

Q When you say you don't recall the call from North, I know you testified earlier about it. Unless you have talked to Oliver North, how did you get your recollection refreshed?

A Because something must have precipitated my telling, my taking Azzam out of the chain of command. It was not a conversation between Azzam and myself. I can only assume that if North was unhappy with Azzam and [redacted] was unhappy with reporting through Azzam, because Azzam was a negative influence on the endeavor, that I received a call from someone. I can only assume it was North because Azzam had the run-in with North.

Q Okay. What was your assessment of Mr. Azzam's abilities?

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A Mr. Azzam is a most competent investigator who has served in any of a number of senior positions in DEA, most knowledgeable about the Middle East.

Q Would you say he is more knowledgeable about the Middle East than [redacted]?

A Absolutely. In addition, Mr. Azzam traveled with me to many of the international meetings in which we continued to meet with foreign diplomats. Abe speaks Lebanese and always at meetings would go to Middle Eastern officials, re-acquaint himself with the Middle Eastern officials because of his remaining interest in that part of the country, so Mr. Azzam was perhaps within DEA one of those people who was highly qualified to assess information coming out of the Middle East.

Q Okay. Then here is my question. At this point you said in mid May you agreed with Azzam's assessment that more information was needed before the money would be paid to the informants. You had high regard for Mr. Azzam's abilities, yet on what you believed to be a call from Oliver North you decided to basically get Mr. Azzam out of the picture, and allow [redacted] to go forward.

A Right.

Q Given your prior experience with Oliver North why did you make that decision?

A Number one, I had no prior experience with Oliver

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North. My interest was, as was the terms of reference, the agreement that was establsihed between all agencies to cooperate on the hostage thing, if there was friction between Mr. Azzam and someone else involved in the group, our interest was to do what we could to locate the hostages.

If Mr. Azzam was having problems with North, North was having problems with Azzam, my interest was in seeing that DEA did what we could do and I didn't see any problem with having Abe or having Mr. Azzam out of that chain of command because he was assuming another position in DEA. We did it in the interest of maintaining good relations.

Q Was it your impression then that the White House was sort of coordinating this or calling the shots on this task force?

A No. The task force, the chair of the group was the CIA and it was always my impression that the shots in this thing were called by the CIA.

Q Okay. You told us earlier that it was your understanding that CIA agreed with Mr. Azzam regarding this.

A Oh, I know they did.

Q Why was it then you didn't contact the CIA to see if they had the same feelings about Mr. Azzam if they were coordinating the hostage task force?

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A Number one, I knew they had the same feelings because the CIA said while [redacted] was available, they would not make [redacted] available unless DEA approved the release of that money. So I was aware that there was -- that CIA was supportive of our position because all of us over there were supportive of the position that what was ostensibly developed as tangible proof that Buckley was alive and located, we didn't believe.

My action in asking that [redacted] report directly to me was not inconsistent with the CIA, DEA position that we needed more information on the hostages. The mechanism was in place. The informants were well-known to [redacted] So Mr. Azzam's function was merely the point of contact for me. Mr. Azzam was not out talking to informants himself. So it was cutting out a level of bureaucracies, if you will.

Q Did anyone -- do you recall whether anyone else, other than perhaps Colonel North, as best as you can recall, asked that Mr. Azzam be taken out of the picture? In other words, anyone either within your agency or in any other agency?

A Well, I now know that [redacted] either prompted North to get action taken to remove Abe or at least encouraged Abe, Mr. Azzam's coming out of the operation because [redacted] and Azzam were at opposite ends of the

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spectrum on whether the information developed by the sources was good information.

Q I gather, then, that [redacted] was in favor of paying [redacted]

A Yes.

Q Were you aware of that at the time?

A No.

Q So you never spoke to [redacted] contemporaneously regarding his feelings about the validity of the proof?

A No. I did not. Because when I talked to Azzam, I [redacted] Azzam at that point told me what the CIA reaction was [redacted] what the FBI reaction [redacted] was, and I was satisfied that if the experts said that that was not what it was said to be, there was no need for me to talk to anyone else about it.

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Q Did you ever have any contact with either Mr. McFarlane or Admiral Poindexter regarding this operation?

A No, none.

Q Now, after Mr. Azzam left the picture, and let's talk about approximately the July 1985 time frame, were [redacted] and [redacted] still working at DEA or had they actually been assigned either on a reimbursed or unreimbursed basis to the NSC?

A Neither [redacted] was assigned to the NSC. Both had functions at DEA headquarters. [redacted] had been assigned to the [redacted] and [redacted] had been assigned to [redacted] during that time frame. They are not there now.

Q Was it your understanding that -- let me ask you, what was you understanding after July of 1985 as to how it -- what funds would be used to finance both the operational expenses of the agents and any payments to sources?

A It would have been about that time frame that -- again, the time frame being May or June of 1985 -- that I explained to [redacted] that by law, DEA can only fund those operations that had to do with drug law enforcement, 31 U.S.C. 628.

And I said, if we are involved in contacting informants solely for the purpose of locating hostages, then any money generated or any money necessary to pay for that

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information cannot come out of DEA funding. At this point, if I can back up a little bit, I had mentioned that the SEO initial was a $20,000 fund. In May of 1985, we added additional $20,000 to that fund. So, our funding for the effort was $40,000 plus some travel expenses, and what have you.

Because of my concern that if we were now solely involved in gathering intelligence or developing informants to find hostages, that is outside the purview of what we are authorized to do.

Q When you called this to his attention, could you tell us how it is that that conversation even came up?

A Not specifically. It may have been when I called him to tell him that he was going to be the point of contact, not Abe Azzam, and that he was to report directly to me. It may have been in that conversation or at a subsequent meeting.

I would call [redacted] up periodically to ask for the status of the investigation, and either at a personal meeting or the telephone call, I made reference to the fact that we must be very careful to use drug money for drug investigations only.

At subsequent meetings, my concern was if we were developing informants, were we developing them and turning them over to the appropriate agency [redacted]

In each case, I was assured that we in fact were doing that [redacted]

Q And you were assured by [redacted]

A Yes.

Q When you mentioned to him this situation with the money and the funding, was that generated out of your own concern or had someone pointed that out to you, or had you sought the advice of anyone prior to telling him about this?

A I can't recall anyone talking to me about it. It was a concern I had that we were now involved in a SEO for six months. Frank Monastero, the Chief of Operations, and I on several occasions talked about the SEO and how long we thought the SEO would continue.

It was certainly my view, and Frank's view, that our role now was to encourage these informants to continue to go into Lebanon to do hostage work that we could very easily have just turned the informants over to the appropriate agency to handle that, and we could get back to our own responsibility, which is drug law enforcement.

And whether I or Frank brought up the money spent, I am not sure. But clearly, I told [redacted] that we could only spend the money on drug law enforcment.

Q When you said that,did that apply equally to the agent's expenses as well as the payment of bribes or

payments for information to the sources?

A No. I didn't get into that because it was my assumption that the agents certainly would know what their responsibilities were as far as vouchers were concerned, and the rest.

Q Here is my question. After July of 1985, was it your understanding that their expenses, the agents' expenses, would be paid by DEA [redacted]

A I don't think I even thought about it,to be perfectly honest. In hindsight, the terms of reference indicated that personnel costs would be borne by the agency, and I had no reason to think that that was not continuing to be the case, that our personnel costs were continuing to be paid by the agency, but if it came to generating money to pay to bribe someone, I fully expected that that was not DEA money, because we couldn't clearly do it.

Q So, was it your understanding throughout this period, 1985 and 1986, that DEA was funding the expenses for the agents to travel and so forth?

A Yes, it was my understanding.

Q Did anyone ever bring a different understanding to you?

A No.

Q How much in total were you aware that DEA had funded?

A At the time, I certainly knew of the initial $20,000.

I don't remember being told that additional $20,000 went into the fund, but that is not unusual.

Q And as to the bribe money, like the big sum payments, the 200,000 and so forth, was it your understanding this money was coming [redacted]

A Yes.

Q Did anyone ever tell you differently?

A No.

Q When did you first learn that private individuals had put up some money for this effort?

A After December of 1986.

Q When you mentioned to [redacted] that it was your intention that if the sources were being used only to provide hostage-related intelligence that they should be turned over [redacted] did he offer any opposition to that? In other words, was he reluctant to let the sources go?

A No. I think he may have said, you know, based upon your law enforcement experience, some sources don't agency shop. They will only deal with us. But we will be able to turn over all of our sources within a given time frame

Q Did [redacted] or [redacted] submit any written reports to you throughout 1985 and 1986?

A No.

Q Is there any reason for that?

A No. That is not unusual in that if we have an

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individual, an agent working with another agency -- [redacted]

I get periodic verbal updates from [redacted] as to how effective the program is. But, no, that is not unusual.

Q Well, [redacted] is that person actually assigned to [redacted]

A No. That person is a DEA agent on loan to the [redacted]

Q Through like an unreimbursed assignment?

A No. He is reimbursed. We have a reimbursable agreement. I believe they may have even paid the cost of our transferring him [redacted] but I would have to check that to be sure.

Q So that is really different than the [redacted] and [redacted] situation where they were not actually assigned to the NSC [redacted]?

A Right. That is right.

Q Did you ever instruct either of them not to write any written reports either to you or to anyone else?

A Absolutely not.

Q Did there come a time in 1985 that you discussed

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these activities with the Attorney General?

A I may have -- I meet with the Attorney General several times a week for breakfast or for lunch. I may have said to him, we are developing information through the informant program, which is of some benefit. I can't specifically recall a date or time frame in which I did that.

Q All right. Did you ever go to the Attorney General with any specific plan?

A None, never.

Q Did he ever give you any sort of advice or instructions regarding this operation?

A No.

Q Do you know whether or not he was ever aware of the private donations or the use of private monies in any of these operations?

A I have no knowledge at all.

Q As long as we are on this subject, the Attorney General testified before the House Judiciary Committee in March 1987, regarding the DEA operation. I take it that -- in which he testified he was not aware of these things. I take it after that testimony, you had a conversation with him about it?

A Right.

Q Could you relate that, please?

A Yes. After his testimony -- and I was not aware of

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his testimony. I received a call from John Bolton, B-o-l-t-o-n. John is the Chief of Congressional Affairs at the Department. John stated that the Attorney General during testimony had said that he was not aware or that he didn't believe that DEA was operational, that the role of DEA in the hostage plan was to develop whatever intelligence we could on the location of the hostages and then that over to the appropriate agency.

I told Bolton that that, in fact, was what I had told the Attorney General. Within several days, I met with the Attorney General in Phoenix, Arizona at our conference of special agents in charge.

I told the Attorney General that Mr. Bolton had called me, asking me for my recollection of any conversation I had with the Attorney General, and I told the Attorney General what I told John Bolton.

Q What was the Attorney General's response?

A Non-committal.

Q Could you give us an idea when you say operational -- everybody uses that term kind of loosely -- what you mean and how do you define an operational role of an agent?

A If an individual is out conducting interviews, making undercover buys, doing case-oriented things, developing an investigation, that is what I would perceive to be an operation.

If an individual is gathering intelligence, that

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would be different in my mind's eye. That would be an intelligence probe.

Q Would the rental of transportation and equipment and a safe house for the extrication of hostages in your mind be operational?

A Absolutely.

Q Has DEA to your knowledge ever been included in any covert action findings under the National Security Act?

A Not to my knowledge.

Q Was there such a finding for this operation, to your knowledge?

A No, not to my knowledge.

Q Have you since signed any documents or exhibits generated by Colonel North describing some of the activities of the agents, specifically in the plan to provide $1.5 million to the captors and get the hostages out of Lebanon? Some of them have been released by the committee publicly.

A There was a document that Mr. Hoffman had shown me that indicated that DEA was involved in -- I can't recall the details -- maybe the renint of a boat. This was May 24, a document dated May 24.

Q Of 1985?

A Of 1985.

Q Have you ever seen, prior to anything Mr. Hoffman showed you, I gather recently, but had you seen in 1985 or

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1986 any memoranda, PROF notes or anything else written by anyone,by the White House or NSC regarding the role of the agents in the operation?

A No. Received none, heard of none.

Q Now, in or around the early summer of 1985, there was an operation afoot to try to extricate the hostages using this combination of bribes and them lump sum payments to the captors that was described in a memo of June of 1985 from Colonel North to his superiors. Were you aware specifically of that plan?

A No, I was not.

Q Do you recall [redacted] briefing you around that time period on anything that was happening?

A No. I recall in each case [redacted] telling me about informants, information from informants and at one meeting did mention that there was some hope of extricating the hostages, either through bribery or the use of military action.

But I don't recall a date or a time frame.

Q Were are sums regarding the bribery brought to your attention by [redacted]?

A I believe [redacted] made reference to a million dollars per hostage?

Q Were the specifics of any military extraction explained to you?

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A No, none.

Q Did [redacted] explain what role he would have or he or [redacted] would have in supporting such military extraction?

A No. In each case, as I mentioned, when [redacted] would brief me on what was going on, he would say, we are just developing intelligence information, but the information looks good because we may have a military extrication, but we may be getting hostages out in the near-term.

Q What was your understanding of the amount of time or the percentage of their time, let's say, that [redacted] and [redacted] were using on this project?

A Well, both were assigned full time to DEA Headquarters. I thought the amount of time that they were spending on this thing was minimal, perhaps -- it would be hard to say. I thought perhaps a meeting a month in Washington and an occasional trip to debrief an informant.

Q Okay.

But was it your impression they were spending 90 percent of their time on hostages? Would that have surprised you?

A 90 percent of their time on this? Absolutely.

Q Getting back to the money, if I can for a minute, the memo which we were given today dated December 9, 1986 from [redacted] to you, the very last entry in that says addendum.

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As agreed previously, other than actual operational expenses, no unappropriated funds were handled by DEA.

Do you know what that is referring to?

A No, I do not. When I talked to [redacted] in December of 1986, it was specifically because newspapers were carrying information about the activities and I wanted [redacted] to specifically outline for me again what our role was, and as previously [redacted] said, our role was to develop informants and to turn that information over to appropriate agencies.

I said well, I have read in the newspapers about safe houses, about accounts, and he said none of that information is accurate. I said, [redacted] sit down and write out in your own handwriting what you have just said. He prepared a handwritten note to me, delivered it to my secretary in handwritten form, and I had my secretary transcribe it as it appears.

Q All right. If I could see the entry on that for a minute, it says, "As agreed previously that no unappropriated funds would be handled by DEA." Do you recall discussing with [redacted] or [redacted] that DEA agents should not be handling unappropriated funds?

A No, I do not.

Q Do you know if anybody in the DEA hierarchy had had such a conversation with them or given them such instructions?

A I don't believe that anyone in DEA gave such instructions based upon the administrative inquiry which we

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conducted.

Q I belive you had an appointment in October of 1986 with Colonel North; is that correct?

A Right.

Q Is that the first time you had actually met him?

A Yes.

Q Can you tell us when that was?

A October of 1986. A specific date, I don't recall. I can determine the specific date from my calendar.

Q I believe you told us in interviews that was October 14, and that corresponded to the calendar that we had from North.

A Okay. October 14. The meeting was in my office, based upon a call to my secretary asking if I would meet with Colonel North. Colonel North came to my office, talked in general terms about his appreciation for information that we had developed on the location of the hostages

[redacted]

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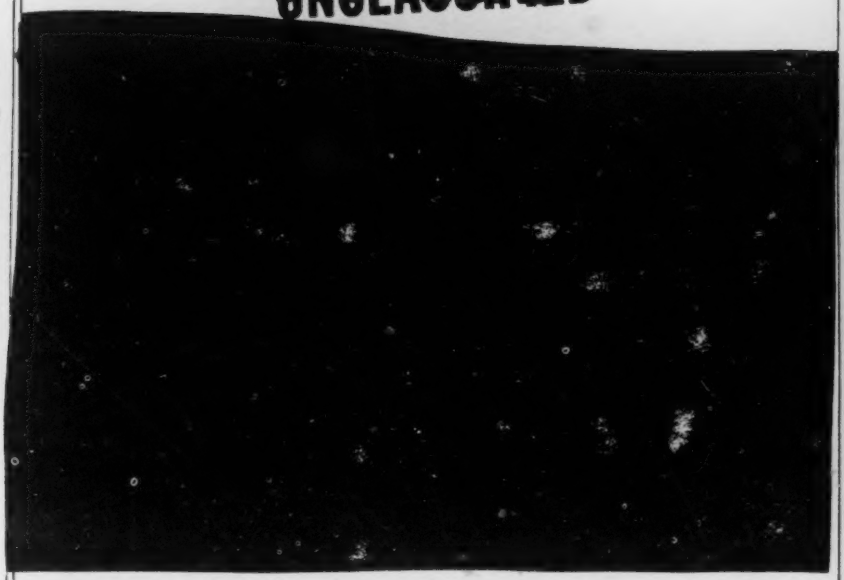

Q What exactly did you gather was the purpose of that meeting? In other words, what was he offering to assist you with?

A I don't think it was an offer of assistance at all. I think that through [redacted] Colonel North had learned of my impatience with our prolonged informant development, because I had on several occasions during the summer and fall expressed to [redacted] the fact that I was having trouble understanding why it was taking us so long to negotiate with informants who either were long-term informants or informants under development to [redacted] and that I wanted from [redacted] a date in which our intelligence probe would be over.

And I think that my visit from the Colonel was an

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attempt to see if North's encouragement would encourage me to keep supporting our intelligence probe.

Q Did he say something to that effect? Did he say we hope we can continue to work with you, or --

A No. The meeting began with, you have been a big help. DEA is the only one that has positive information. The information you have developed have assisted in this terrorist thing, and in this situation and in this situation, a we want to thank you for your help. By the way, if there is anything we can do.

I said, "Colonel, there is nothing you can do."

[redacted]

So, as a matter of fact, when the Colonel arrived, he asked to shut the door, which of course added the intrigue to the meeting, and then when the meeting was over, I still couldn't understand why the door was shut and what the intrigue was.

It was in my mind's eye a social call.

Q Did he make any reference to the fact he expected some hostages to be released soon?

A He may have. He may have said that based upon your information, we are going to get hostages released, but I had

been hearing that beginning in May of 1985 and, as I say, this was 15 months later, and there were no hostages and that certainly was prompting my impatience with the whole operation. I was not pleased with the position of North on the giving of the $200,000 to the individual. We thought it wasn't a good idea.

I just had decided that we were spending too much effort in informant development in what clearly was not our role.

Q Did [redacted] ever inform you of the role that [redacted] brother, [redacted] ever played in this operation?

A No, he did not.

Q Did that come to your attention eventually?

A Yes, it did.

Q Recently?

A It came to my attention after the administrative inquiry we conducted in May of 1987.

Q All right. I gather in your meeting with North in October of 1986, North did not mention to you any payments of monies that he had given the agents?

A No, he did not.

Q He did not mention that his operation was being funded privately?

A No, did not.

Q Let me ask you some questions about Ross Perot.

A Sure.

Q When did you first become aware that he had donated money for this operation?

A Well, I guess it the hearings, although in May of 1987, with the administrative inquiry that was conducted, either [redacted] -- I think it was during [redacted] interview by the inspectors where [redacted] had indicated that he now knew, he knew during the time of the interview that one of the individuals who had furnished money to North worked for Ross Perot. But prior to my reviewing that information with the inspectors, I was not aware of Perot's involvement.

Q Did you ever speak about Perot's involvement with the Attorney General?

A No.

Q And I gather you did not with Colonel North?

A No, I did not.

Q Had Mr. Perot on other occasions offered to donate any money or any equipment or anything of that nature to the DEA?

A No, he did not.

Q Have you ever met him?

A Yes, I have.

Q Can you tell us under what circumstances?

A I had lunch with Mr. Perot in Maison Blanche sometime last summer.

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Q Did you discuss -- did he offer or discuss his involvement in any operations that DEA was undertaking?

A No. Our discussion had to do with something other than what was ongoing as far as the hostages were concerned. Specifically, it concerned Ross Perot's interest in the MIA issue.

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Q Were you aware of Agent [redacted] activities [redacted] in support of this operation, [redacted]

A Am I aware? I am not aware, yes.

Q At the time, were you aware of it?

A I was not aware. I became aware after the administrative inquiry in May of 1987.

Q In 1985 or 1986, did you receive any reports from [redacted] regarding this subject matter?

A No, I did not.

Q Have you since spoken to him about this?

A About this? No, I have not.

Q Are you aware of any activities on the part o[redacted] and [redacted] in Central America during 1985-86?

A No.

MS. NAUGHTON: That is all of the questions I have at this time. I may have some more for you later. I will turn it on over to Tim Woodcock from the Senate.

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EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. WOODCOCK:

Q Mr. Lawn, I am going to be questioning you based on some marginal notes here so there will be some jumping around.

A Okay.

Q As I understand your testimony, you stated that as of May of 1985, about the time the Buckley proof emerged in Lebanon, you did not know Colonel North, is that correct?

A Yes, that is correct.

Q When you say that, does that mean you did not know him personally or did you not know him by reputation?

A I had heard the name Colonel North, but I had not met him. I could not even say that I was familiar with North or what his specific position was at the White House.

Q Did he, to your knowledge, have a reputation with DEA as of that time? Did you know of that?

A The first information that I had had to do with our cocaine case, Colombian cocaine case, and the conversation about -- our internal conversation about how the media might have learned of our probe into the Colombian trafficking cartel.

Q We have a document that we received from the CIA which is a memorandum recounting a meeting of which appears to be the hostage locating task force. Excuse me. It is a document relating to a meeting of several CIA senior officials

and Abe Azzam. It is dated April 30, 1985, and it contains the statement, "Azzam stated there is bad blood between North and DEA because of a problem North created for DEA last year, which had to do with the DEA operation that involved Nicaragua."

Is that what you were referring to?

A Yes. That puts it in the time frame that Pam asked about, '84.

Q So it would have been earlier than that that you would have become acquainted with North's involvement or suspected involvement with the DEA operation; is that correct?

A Right.

Q Now, armed with that knowledge, as of May 1985, you would have known of North's reputation with DEA; is that correct?

A I would have been aware of -- I recall the conversation that I had with an individual about North and our narcotics case, yes.

Q Let me ask you the question a little differently: Would you accept that description that Azzam has purported to have given to the CIA that there was bad blood between North and DEA because of this operation?

A I don't know that. There was no bad blood between me and North, because I didn't know North. If someone in operations had an encounter with North, Mr. Azzam, who was then in operations at that time, could have stated there was

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bad blood. But there was certainly no reason on my part to share anyone's concern about bad blood.

Q Okay. That is not quite the question I am asking. What I am asking is were you aware, not did you personally share in it, but were you aware of any groups within DEA or DEA institutionally having a feeling of bad blood between itself and Colonel North?

A You know, I am trying to be very clear on this thing. An individual in DEA went to a meeting and expressed some displeasure with Colonel North. If the displeasure he expressed is organizational, certainly he is not. He was displeased. He undoubtedly told other people in DEA he was displeased.

But for Mr. Azzam to say that DEA was displeased is a misnomer, because at least one individual I know was displeased and based upon his displeasure, his supervisor was unhappy with Colonel North.

But I cannot conform that DEA was unhappy with Colonel North.

Q I think you have answered my question.

MS. NAUGHTON: Excuse me. Could we go off the record for one second?

(Discussion off the record.)

BY MR. WOODCOCK:

Q Earlier in your testimony, you I think described North's initial reservations about having Abe Azzam continue

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in the operation as being partly based on a lack of coherence in the management of the operation.

Do you recall that? Is that correct?

A Not of coherence. It wasn't a coherence operation. A lack of concurrence on how the operation should go forward.

Q That is a disagreement between North -- let me stop you. What was the problem?

A The problem, as I understand it, was that [redacted] and Colonel North were very enthusiastic about [redacted] they received, [redacted] they received and in point of fact, when [redacted] arrived in Washington with [redacted], he delivered [redacted] directly to Colonel North.

Q Let me stop you on that. Was that appropriate for him to go directly to North rather than to Azzam?

A No. It was not. Then, as a matter of fact, there were words between Abe Azzam and [redacted] about the appropriateness of that happening.

Q Do you know that or did you know it then?

A I didn't know it when it happened, but I learned of it perhaps during the time probably in late May of 1985 when Azzam showed me [redacted] As I said, [redacted] was most enthusiastic about the seat of this so-called proof.

Azzam indicated that North was very encouraged about it, and Azzam was not encouraged about it. Azzam then at a

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meeting with North told North that North should ask the CIA what they thought. Azzam himself subsequently went to the CIA and we, by now, know that North and Azzam had words over why Azzam took [redacted] to CIA, and encouraged CIA not to come up with [redacted]

Q So, part of the problem was this disagreement over the sufficiency of the proof.

A Right.

Q Anything else?

A I would say that if there was anything else, it would have been a deteriorating relationship between Mr. Azzam and [redacted]

Q Based on the proof or something more than that?

A I think initially based on the proof, that [redacted] should have brought [redacted] by the informant to DEA, and DEA would then have established with the CIA and with the FBI, if they were the agency, [redacted] the bona fides of whether this was good proof or bad proof, prior to bringing it outside of DEA and presenting it as tangible proof of the whereabouts of Buckley.

I mean, it is bad law enforcement procedure.

Q Were you yourself every directly in contact with anybody in CIA over this hostage matter?

A No.

Q No one at all?

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A No.

Q You understand, I gather, from your previous testimony, that CIA was in charge of this hostage matter that [redacted] are involved in?

A Yes. The terms of reference clearly indicated that CIA was chairing the gathering of this information.

Q When you say terms of reference, you are talking about the hostage locating task force; is that correct?

A Right. The terms of reference that all agencies received.

Q And you understand this was being conducted under the auspices of the HLTF; is that correct?

A That was my assumption, yes.

Q Given that assumption, what role did you understand that North played in this?

A I assumed that North was part of the hostage locator task force, and my assumption, I guess, was based upon the fact that during the January-February meetings, when we were asked to see if we could initiate an intelligence probe, the persons with whom the agents met set up this breakfast meeting with Colonel North. That certainly supported my belief he was part of that particular group.

Q That he would have been subordinate to the chairman of the group presumably; is that correct?

A Absolutely.

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Q And the chairman was CIA?

A Right.

Q When this call from North came in, and I understand your testimony that you have reconstructed that it was a call, but you have no specific recollection of it --

A Right.

Q -- when this call or communication came in from North, did you agree to it on the spot, that is, his recommendation that Azzam be taken out of the loop, or did you seek to discuss the matter with [redacted] or any other person?

A No, no. I called -- after the contact -- it had to be a call, because I hadn't met North -- I called [redacted] to tell [redacted] that he was going to be the point of contact and he was to report directly to me.

So there was no -- I had no meetings with anyone before I made that decision.

Q So, you took no steps then to substantiate what North was saying; is that correct?

A Took no steps to substantiate the fact that there was --

Q There was bad blood or disagreement or unhappiness?

A I certainly was aware of that based upon my conversations with Abe Azzam, with Mr. Azzam about the insufficiency of the evidence, and I certainly agreed with Mr. Azzam that the evidence was insufficient, but I thought it

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important that if, in fact, DEA was the only agency in a position to furnish information on the location of the hostages that that was the important thing, and that if a dispute between individuals within DEA was going to hinder that, that I was going to loosen the logjam.

Q I think I am pausing at the same problem that Pam is. You earlier testified that Mr. Azzam had your confidence as a professional agent, that he was knowledgeable in the Middle East, that you agreed with his assessment of the insuffiency of the proof.

You also testified that you agreed that he was correct to be unhappy that the proof had not been brought to him directly, but instead had been brought to Colonel North.

A Right.

Q Given all those circumstances, why is it that you didn't bring [redacted] in and say, look, I understand you have got a problem with Azzam, and yet, frankly, you are in the wrong. Why don't you clean it up?

A Again, in hindsight, it is hard to reconstruct, but it was clear to me that [redacted], who were introduced to the operation through Ed Hickey, had a good relationship with the people up there.

Q People up where?

A The people in the White House, with the hostage locator working group. They had met with North, met with

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Clarridge, met with the people involved in the operation, and that antagonism was the -- the catalyst for the antagonism was Abe Azzam.

Q I gather you saw this then as more than just a series of procedural missteps. Was it a personality problem involved here? Is that why you agreed to it so readily?

A I honestly can't recall. I was anxious to see us do what we could do in developing information on the hostages, and again, I am going to have to fall back on the kidnapping of our agent in Guadalajara, because when that happened, each of the same agencies with whom I was dealing here helped us in our investigation, and the CIA dedicated people around the clock, seven days a week to our location of Camarena and with the emphasis they were placing on the location of Buckley, not only because he was one of theirs, but because of some information that he had in his possession, I was anxious to reciprocate in kind for what the CIA did for us on the Camarena case, but I don't know whether that specifically influenced my judgment in taking Abe out of the operation.

Q Let me ask you this: Did you have any information from anyone that CIA joined in the unhappiness over Abe Azzam?

A Oh, no, no.

Q Would it surprise you to know that the CIA was not unhappy with Abe Azzam?

A It wouldn't surprise me at all.

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Q Would it surprise you to know they were happy with Abe Azzam?

A No, that wouldn't surprise me, because based upon their meetings with Azzam, they indicated they would not release [redacted] unless Azzam agreed it be released.

Q Then why is it that you are not checking with CIA when you make this decision to remove Abe Azzam since the CIA is in charge of the operation?

A Because it was my call to make sure that we were cooperating in every way possible in what was not a major effort on DEA's part. This was not a major operation. It was not even a minor operation. It was one or two agents talking to one or two informants over the possible location of hostages in Lebanon, and it certainly I don't believe warranted my double-checking on very senior people in DEA as to who liked whom. This was not a big operation.

Q Well, it was big to the extent that it involved William Buckley, wasn't it?

A It was big for the CIA.

Q And you valiantly supported the CIA in the Camarena case?

A I certainly did.

Q So, you wanted to make them happy in a case where their agent was at risk; isn't that right?

A Yes. I intended to make them happy by ensuring

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that we continued to seek our information from our informants on the location of Mr. Buckley.

Q You mentioned a little earlier in your testimony just a few minutes ago that you understand that at one point Mr. Clarridge had been checked with; is that correct?

I am not speaking about this notion of removing Abe Azzam, but that he was involved in this hostage locating effort; is that correct?

A Mr. Clarridge's name did appear in the interviews of the persons, of [redacted] Clarridge and others. [redacted] I think [redacted]

Q Yes, [redacted]

A Was the initial chairman of the committee, I think. [redacted]

Q [redacted]

A Was another individual whose name the agents mentioned during the administrative inquiry. And there was another CIA person who actually traveled [redacted] to New York to debrief one or more of the informants after they came out [redacted]

Q Really, what I am driving at, your knowledge of Clarridge's involvement, is that based on your May 1987 investigation?

A Right, right. That is based on May 1987 -- that is difficult for me, because it is hard to recall in 1985 what

I knew with all the publicity that has been generated by the hearings, my own administrative inquiry. That is why it is difficult for me to give you a chronological analysis of what I knew and when I knew it.

Q So, at least as far as the Azzam decision, that is the decision to remove him, you don't have a recollection, I gather, that Clarridge had been involved one way or the other up to that point; is that correct?

A No. That is right, no. That was clearly not the case. Mr. Azzam had suffered a heart attack and -- perhaps the year before, and had come back on duty and was being moved or already had been moved up to a position as Executive Assistant to the Deputy Administrator.

The new Deputy Administrator was scheduled to arrive at his post in early summer, July or August, and that, too, may well have influenced me, that I knew he was going to be full-time with the new Deputy Administrator. But I can't give you all the particulars that influenced my decision to take --

Q Excuse me. When you decided Azzam should be taken out of the loop and that you when would become the person to whom [redacted] would report, did you sit down with him at that point and get an update as to what he had done; where things stood?

A In May or June of 1985, I did not.

Q How did you communicate this information that you --

now we are the point of contact for him?

A I called [redacted] and told him he was going to be the point of contact and that I wanted him to apprize me as our efforts continued and he did that.

Q And did you discuss with him what the status was of this Buckley proof, [redacted]?

A No, because I knew what the status was. The status was that we would not authorize the release of the money.

Q Now, did he tell you that notwithstanding that positio the operation might yet go underway?

A He didn't, no, he did not.

Q [redacted]

A I was told that information. Again, I don't know the time frame. I thought it was considerably later than that. I believe he told me that there was some hope of a hostage being released in June of July and then when I met with him for an update, I said, well, what happened? Why was there no hostage released?

And he said, that because of the TWA hijacking in June of 1985, that the heat was on or something, and that the effort had to be curtailed.

Q For your information, North's notebooks, which have been made available to the committee, show that on June 6, he

was advised by [redacted] that [redacted] which would be approximately two weeks or 10 days before the TWA hijacking.

A I was not aware of that.

Q Now, in response to some questions from Ms. Naughton, you said there was no procedure that you imposed upon either [redacted] to make written reports to you; is that right?

A That is right.

Q I think she asked you whether that was not unusual, and you said it was not, and referred to an example of a DEA agent on assignment [redacted] is that correct?

A Yes.

Q These agents, [redacted] were in a different position than that agent [redacted] is that correct?

A Yes.

Q They never were relegated to any other agency other than DEA; is that right?

A That is right.

Q They were on the DEA payroll the entire time?

A Right.

Q To your knowledge, their expenses were to be paid out of DEA; is that correct?

A Right.

Q Even expenses relating to the hostage location effort

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is that right?

A No, no.

Q Who was to pay for that, and what was your understanding on that?

A My understanding was that if information we are developing or if an informant felt he could go into Lebanon purely on the hostage issue, that the payment of that informant would have to come from elsewhere and my assumption was it was the CIA because the -- in early 1985, the JRCIA had furnished $50,000 for the payment of an informant who was to specifically go into Lebanon for this development of hostage informant was in fact paid in two installements. He was paid $20,000 at one point, a month later paid $30,000 after he came out. That was CIA money. We have seats for that. So, I assume that in future endeavors, the money would be CIA money.

Q When you say you have seats for that money, you mean you have a seat from a CIA or from your man reporting back that he has disbursed the money?

A We have a seat from the individual who received it.

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Q That is source one.

A Right. That is a source. I don't know which source it was.

Q At any time following that disbursement of $50,000 worth of CIA money, did [redacted] bring to your attention that they had received additional CIA monies or monies that they denominated CIA monies?

A No. They did not.

Q Isn't it ordinary procedure within DEA when an operation is ongoing that reports are made in a routine fashion?

A On a drug case, absolutely. Where we are cooperating with another agency, the generation of reports would be with the agency responsible for the activity. That's normal procedure.

Q Even when your men are still DEA men?

A Sure.

Q Even when all expenses are coming out of DEA and they are being paid, their salary is DEA and they are not normally designated to any other agency?

A Sure. For example, several years ago DEA developed information on a major counterfeiting ring [redacted] As law enforcement does, we turned over the information over to the Secret Service. The Secret Service initiated an investigation, asked us if we would, since we

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were aware of the operation, if we would have DEA personnel operate in an undercover capacity to introduce Secret Service people. The agents did that and the information they developed went to the Secret Service because it was a Secret Service operation, not a DEA operation, and DEA did not have the agents writing duplicate reports on our involvement in counterfeiting matters [redacted]

Q Did either [redacted] ever use the expression to you that they had received covert monies?

A No, sir.

Q When the operation started up, it was given the enforcement No. 471. There came a time when the special enforcement operation 471 terminated; is that correct?

A Right.

Q No substitute special enforcement operation was started up in either place; is that correct?

A That's right.

Q Now, when that event happened, was that a juncture

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at which you would bring [redacted] in and say there no longer is a formal designation for this operation anymore; therefore, this can only be a minimal amount of your time?

A No. I clearly -- no, to answer your question. I clearly understand, unfortunately, that after we had made the initial probes with SEO-471, that our future or continuing involvement was going to be minimal involvement, a periodic contact with an informant calling from [redacted] or the Middle East, and our meeting with the individual and the debriefing of that individual. That was my understanding as to how we would continue after the termination of 471.

Q You have a process in DEA where you regularly review the performance of your agents?

A Yes.

Q Now, how is that done?

A It was done as is done routinely for all our personnel. Since both were assigned full time to supervision within DEA, their immediate supervisors performed these performance ratings.

Q Does that generate a report?

A Yes, it does.

Q How often are these done?

A Annually.

Q So that in the course of this operation beginning in January, 1985, until late 1986, possibly two reports would

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would have been done on [redacted] is that correct?

A The evaluation period is the June or July time frame. So two reports would have been generated over that period.

Q Do those reports reflect the amount of time that agents are spending on various activities?

A No. No, the report indicates -- a report first outlines the critical elements we use in evaluating the performance of a given individual. If he performs this well, his rating is this. And then there is a narrative portion of the report indicating how well he performed in each of those critical elements. That is the way it is done ordinarily and I can only assume that's the way it was done with [redacted]

Q Now, presumably this report process consists of an interview, would that be correct?

A No, it does not consist of an interview.

Q What does it consist of?

A It consists of the immediate supervisor evaluating the performance of the individual under his supervision, having a mid-term review with that individual.

Q What does that consist of?

A That would be a sit-down with the individual where you tell the individual how he is performing and if he is not performing well, the individual has an opportunity to

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change his performance during the second part of the period of evaluation.

Q Now let's take the example of [redacted] He was in [redacted] of DEA during this period of time; is that correct?

A Right.

Q His supervisor only had authority over him to the extent he was involved in [redacted] is that correct?

A I would assume so.

Q Well, his supervisor in the [redacted] would not have had jurisdiction over this hostage locator effort; is that correct?

A No, that's correct.

Q That would be [redacted] first, is that correct, and then you?

A No.

Q Was [redacted] supervising [redacted]?

A My assumption was that he was.

Q In this operation, this hostage operation?

A Right.

Q So that on the [redacted] supervisor would perform the assessment; right?

A Correct.

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Q To the extent there is something else the agent is doing and another supervisor is involved in that, would that supervisor also participate in the preparation of the report?

A He could. I'm not trying to be vague. I'm trying to explain if an individual works 29 days in a given month on an operation and then spends a day with someone else, we wouldn't then go to the individual to whom he was assigned for a day or what have you, or if an agent goes to the field on a TDY assignment when his performance is being evaluated, we would not necessarily contact that field element and say, how did he perform or she perform during the 20 days he or she was in your office.

So in the case of [redacted], if he were gone for an extended period of time, his supervisor and [redacted] should have gone and may have gone to [redacted] and said I can't rate him outside of his [redacted] responsibility. Can you give me input into his rating.

A Now, if it were the case that [redacted] spent 90 percent of his time on the hostage locating effort, presumably his fitness report would reflect that, is that correct, or at least reflect some assessment by [redacted] of how he was doing on the hostage effort; is that correct?

A Presumably, yes.

Q Have you seen [redacted] fitness report?

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A No, I have not, nor is that unusual.

Q I understand that. But I'm asking you, since this matter has come up, you have not seen that fitness report; is that correct?

A No.

Q Now, similarly with [redacted] on this hostage matter, who would be the person who would write his portion or the hostage portion of his fitness report?

A Well, [redacted] was assigned full time to the [redacted] and the individual who would write his appraisal would be his immediate superior. I can only surmise that was the case with [redacted]

Q But if -- let us assume hypothetically that [redacted] was spending a large amount of his time on the hostage locating effort. Who would write his fitness report on that matter?

A Well, I would say if he were spending -- if an individual were spending a large amount of time on an effort that the supervisor didn't feel comfortable rating, the supervisor would go to someone else, whomever that someone is, and ask that that input be prepared on his performance in that additional duty.

Q Now, in [redacted] case on the hostage matter, who would have been the person who would have written that portion of the report or would have been responsible for

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that portion of the report?

A That's unclear. I really don't know because we have never explored that. The reason is that none of us thought that [redacted] was spending any amount of time on this other than perhaps weekend travel. In hindsight -- not in hindsight but currently, having become aware of the travel that both conducted, I'm very surprised.

Q Given your understanding of who was knowledgeable at all of what [redacted] was doing, who would you say would be in a position to write on his fitness report?

A Given what? What I know now?

Q Let me divide it into two questions. When you eliminated Abe Azzam from the loop and told [redacted] that he was going to report to you, who did you see as being responsible for monitoring his involvement and performance in the hostage effort?

A His current supervisor.

Q Who was?

A I don't recall who it was. I believe he was working for [redacted] at the time and then subsequently he was moved to a different -- to [redacted] I don't know who his supervisor was on the [redacted] though.

Q Was his supervisor on the [redacted] made aware by you or [redacted] of his other assignment on the hostage matter?

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A I assume he was made aware by [redacted] I never made him aware. The reason I didn't is because I was not aware that [redacted] was doing anything other than what he was assigned, namely either [redacted]

Q Except for the minimal reports he was giving you on his hostage effort? You were aware of that, weren't you?

A Overtly I was aware that in perhaps four ten-minute conversations in a year, that he continued to talk to the individuals on the hostage locator task force about informant information. But his assignment continued to be a full-time DEA assignment and no one ever brought to my attention the fact that either he or [redacted] were not full time at their assignment posts.

Q If you were the person to whom [redacted] was supposed to report, how could it be [redacted] would be the one who would wind up writing the report on these hostage matters?

A There would be no report. The hypothetical, we are going into what ifs. [redacted] was assigned full time to a job in DEA. His immediate supervisor would write his performance. If the immediate supervisor felt that [redacted] was not available enough for him to write all aspects of his supervision, he would have raised the question, who is going to write that part of his evaluation. That did not happen. That question never arose. Had it arisen as to who is going

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to write that aspect, at that point I would have had to perhaps go to the hostage locator, the chairman of the hostage locator task force or have someone go to them and say, "How would you evaluate his performance with the hostage locator task force." But that never, that question never arose.

So I was satisfied that both [redacted] were employed full time, that they were doing DEA work on a full-time basis.

Q Do you recall having -- calling Abe Azzam back into the office during his recuperative period in June of '85 to prepare you for a briefing of the Attorney General on the hostage matter?

A No. I am aware that Mr. Azzam was called back, as I was called back. I don't remember the exact dates, but I was on leave in Ocean City and received a call from Judge Webster on a document that the Judge received which was a classified document. The Judge said, "Jack, I've just gotten something. I would like to talk to you about it, and can you come in tomorrow morning?" I called the office and said, "Has anything come up? Have you seen any classified document that should be of concern?" And they said, "No, but when you come in, we will talk about it in the morning." I think Frank Monastarro then called Abe and -- called Mr. Azzam and said, "It may be that Judge Webster wants an update on the hostage situation. Can you update us?"

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When I came in the next morning, I think Monastarro gave me an update and I went to see the Judge, and it was on an entirely different matter.

Q When you say the Judge needed an update on the hostage matter, do you know whether up to that point he had been briefed on it at all?

A No, I didn't say the Judge needed an update. I said that someone surmised, based upon my call when the Judge called about a classified document he received, someone surmised that that's probably what he was asking about, because there was nothing else with which DEA was involved and might be of interest to Judge Webster. But when I talked to Judge Webster the next morning, the question that he had was something entirely different from the hostage situation. As far as my briefing him, I did on one occasion -- again, we have weekly breakfasts -- tell him that we were continuing to furnish information to the hostage locator task force on information being developed out of Lebanon, just as an aside, as I had done with the Attorney General.

MS. NAUGHTON. May I interrupt here?

MR. WOODCOCK: Go ahead.

MS. NAUGHTON. Did you discuss with the Director the use of private monies to bribe anybody or any bribery schemes or plans?

THE WITNESS: Absolutely not, no. Never did.

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BY MR. WOODCOCK:

Q I think you may have testified to this point, but let me ask you. In the June, May/June '85 period, were you ever aware through [redacted] or any other source that a hostage extraction effort was under consideration that involved the payment of a million dollars per hostage?

A I am aware that that figure came up, but I believe that my awareness of that came up as a result of our May, 1987, administrative review procedure that a million dollars per hostage was a figure that -- I think it was a figure that two members of a terrorist group stated in a meeting [redacted] that this is what it would take to get hostages out. I think that was later than May of '85.

Q Let me ask you the same question. Put it in the time period of May, 1986.

A I believe that was the time frame that I'm referring to about the million dollars, that it would take a million dollars to bribe people to effect the release of two hostages.

Q A million dollars per hostage?

A I think it was a million dollars per hostage. As I say, my knowledge of this came through our review of the activities of [redacted]

Q I have a page from North's notebook which is dated June 23, 1986. It has the entry on it, "Call Jack Lawn, Ray [redacted] and [redacted]" -- that is spelled

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[redacted] Does that mean anything to you?

A That means nothing to me at all.

Q June 23, 1986.

A No. It means nothing to me.

Q There's an entry the following day, June 24, 1986, under a "to do" list, one of the items is Jack Lawn, [redacted] to help with [redacted] Any recognition of that?

A No. Sorry.

MR. BERMINGHAM: Could you check your DEA indices to see if you have anything on [redacted]

THE WITNESS: Can we? [redacted] is it?

MR. WOODCOCK: [redacted]

MR. BERMINGHAM: Evidently [redacted] operating [redacted] and Central America.

MS. NAUGHTON: We think he may be related to activities [redacted] in particular.

BY MR. WOODCOCK:

Q Do you know whether any of the DEA sources ever took the questions, the permanent questions that had been developed about the hostages in May of 1985 back to Lebanon and asked their sources to get the answers to them?

A No, I don't know that.

Q Mr. Lawn, looking at the memorandum that [redacted]

[redacted] provided for you, dated December 9, 1986, I gather from your testimony that was prepared at your request?

A Yes.

Q And the purpose for it was to inform you about what [redacted] and [redacted] had been doing since July of '85; is that correct?

A No. From July of -- June or July of '85, I was getting periodic briefings from [redacted].

Q These are the ten-minute briefings you referred to, the four ten-minute briefings?

A Right, where [redacted] would indicate to me our sole function was we are continuing to develop informants and to debrief informants.

My purpose in this memorandum, in asking him to prepare this written document, was to have him think seriously about whether that was all with which they were involved. Because, as I say, publicity had been engendered about other activities, about safehouses and with 25 years involved in law enforcement and other work, very often you know that the spoken word changes when it becomes the written word.

When [redacted] assured me this is all they were involved in, I said, [redacted] sit down and write that out for me." It was my asking him to think hard about confirming for me in writing that that was totally and completely the

activity with which we were involved. It wasn't to be a report of all that had transpired, but merely my attempt to assure myself that what he had told me verbally over the past 18 months was in fact accurate.

Q Before this report was generated, was this based on a face-to-face meeting with [redacted]?

A This was a face-to-face meeting, yes. This was based upon a face-to-face meeting I had with [redacted].

Q I gather from what you have testified that the events that prompted the face-to-face meeting were reports that had become public about DEA involvement in hostage location efforts; is that correct?

A No. I was aware of the hostage location efforts. What concerned me was the reports of Swiss bank accounts, of safehouses, of activities which were clearly, as Pam had noted earlier, operational type activities, and I was concerned about it because I had been led to believe that we were not operational in the hostage -- in our hostage efforts, and I wanted written confirmation that what I had been verbally told was in fact accurate.

Q In this face-to-face meeting, I gather then that you made [redacted] aware of your concern that he may have gone operational; is that correct?

A I made [redacted] aware that I was concerned about what I had been reading and hearing about the hostage

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situation and I wanted him to enunciate for me whether that was any truth to this information.

Q Okay. Let me back up.

You testified a moment ago I think that some of these reports that you had read had suggested that perhaps the DEA agents had become operational in a way that Ms. Naughton had probed in her questioning earlier; is that correct?

A Right.

Q Now, is that one of the things that you brought to [redacted] attention when he came in and sat down with you face to face?

A Specifically I know that I did say that I was concerned about what I had been hearing or reading in the newspapers, and I wanted to hear from him whether there was any substance of truth in what I had been hearing or reading, and he said no. I said, "What have we been doing?" He said, "Informant debriefing, informant development, nothing more."

Q Do you know whether he was familiar with what you had been reading and wht was generating your concern?

A I didn't specifically talk about a given article or a given periodical.

Q How did you know that he had an understanding of what your concerns were?

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A Well, when I talk about when I said references to bank accounts, about safehouses, I think it certainly didn't evoke any question about I don't know what you mean. He said, "No, we are not involved in anything other than informant development."

Q Do you recall him specifically saying or mentioning the safehouses and the bank accounts to him?

A I probably did, because that was what the articles I believe talked about, Swiss bank accounts and safehouses. The term, the reference of my question would not have been so confined as to say Swiss bank accounts; it would have been Swiss bank accounts, safehouses, or any other activities other than informant development.

Q Are these your initials on the memorandum?

A They appear to be, yes, sir.

Q I assume that indicates when this came in, you read it; is that correct?

A Yes.

Q Did this memorandum satisfy you as a complete representation of the things that [redacted] and [redacted] had been doing since July of '85?

A No, but I wasn't looking for a report of their activities from January of '85 or June of '85. I was looking for written confirmation from [redacted] that what he had told me during our periodic meetings, that our role was not

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operational was confirmed. Had I asked for a complete analysis of what had transpired, certainly he would have provided that. What I wanted solely was [redacted] to confirm in writing what he had just told me during our brief conversation.

Q Is this description of [redacted] and [redacted] activities consistent with what you now understand they had been doing?

A No.

MR. GENZMAN: Can you explain what you mean by that?

THE WITNESS: Yes. As a result of our administrative inquiry, I now know that [redacted] was involved in the movement of money from the United States. I know that [redacted] and [redacted] were involved in receiving money, which I had been unaware of. And I now know that [redacted] was actually in a travel status for a considerably longer period than the occasional weekend that I thought they were in travel status. I mean that's the reason for our administrative inquiry.

BY MR. WOODCOCK:

Q If [redacted] and [redacted] had received, let's say, as much as $15,000 from Colonel North, even assuming that they felt that that was CIA money, is that something you would have expected them to report?

A I would have -- yes, yes, it is.

Q In the ordinary course when a DEA agent receives a disbursement of money from another agency, is that agency

supposed to try and make some record of that for DEA as well as the agency that's giving the money?

A Absolutely.

Q And in fact, that was done with the original $50,000; was it not?

A That was done with the CIA money, yes.

Q Is there anything in DEA practice or regulations that forgives an agent from trying to make DEA's own record of a receipt of monies from another agency if those monies are considered to be covert monies?

A I'm sorry, is there anything in the record that forgives?

Q That's right, or excuses an agent from creating evidence of receipt of monies from another agency if that agent understands the money is to be covert monies?

A No. Our normal procedure requires when money is recieved, that documentation is made to protect the integrity of the agent and to protect the integrity of the organization.

MR. WOODCOCK: I don't have any more questions at this point.

MR. GENZMAN: Let me follow up, first of all, on how [redacted] and [redacted] became involved in this assignment.

BY MR. GENZMAN:

Q We know [redacted] was a neighbor of Mr. Hickey

who came upon this idea. Did [redacted] have any particular expertise which made him suitable for this sort of assignment?

A No. [redacted] as you stated, was a personal friend of Mr. Hickey. Mr. Hickey had talked to Mr. Mullin on [redacted] behalf in the past and when he asked [redacted] whether DEA would be in a position [redacted] didn't know, although [redacted] has done a tour overseas. [redacted] was not familiar with the Middle East and [redacted] indicated at that point that his friend [redacted] would be the point of contact, a good point of contact to determine whether DEA would be in a position to assist.

Q What particular expertise did [redacted] have for this sort of assignment?

A [redacted] is extremely good at informant development.

Q I guess I would have expected someone actually working overseas [redacted] to be the sort that you would want to get directly involved in this, someone who speaks Arabic and deals with the Lebanese all the time, or even someone like Abe Azzam who is based in the U.S. but is of Lebanese extraction and speaks Arabic. I'm just wondering, was there any sort of discussion as to

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whether there might be more suitable people than [redacted] and [redacted]

A No. In any event, the individual would have been from headquarters because the SEO, by nature of an SEA, it's a headquarters-supervised endeavor. [redacted] knew a major source -- I think it was source one -- as did Mr. Azzam. So [redacted] would have been one of those persons we would have considered had we been asked, think of a person suitable to work with this hostage locator task force. [redacted] would not have.

Q Do you know what use these two agents made of sources of other agents [redacted]

A Yes. After the close of our office in Lebanon in 1975, [redacted] was the focal point for intelligence being -- drug intelligence coming out of Lebanon. Many of the contacts that we had had, long-term contacts we had had in Lebanon were [redacted] continue to furnish information on drug trafficking. So both [redacted] and [redacted] had extensive contact with [redacted] They had reviewed intelligence findings from [redacted] They were familiar with those and certainly familiar with [redacted]. And I believe it was [redacted] who had arranged for at least two

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individuals working with terrorist groups in Lebanon to sit down and meet with [redacted].

Q You mentioned at some point you became aware of money to be paid for the release of the hostages. I think you mentioned the sum of $1 million per hostage. I believe you said you became aware of maybe as late as May of 1987?

A I believe I had had a conversation with [redacted] and he talked about bribing [redacted] that they were going to try to bribe [redacted] to get the hostages out. I believe as far as the money is concerned, it was the result of the internal review I actually learned about the million dollars and the involvement of [redacted] in the payment of a million dollars.

Q One issue we are addressing is whether that money was in the nature of a bribe or in the nature of ransom. Can you give us your understanding as to how that money was to be used?

A Yes. Any of the information that I have received and that subsequently based upon an interview or that I had with [redacted] in May of 1987 indicates that the money was to be money used to bribe [redacted] to bribe [redacted]

[redacted]

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[redacted]

Q Earlier I thought I heard you mention that after around June of 1985, you were not aware of the travel of [redacted] or [redacted]; is that correct?

A Yes.

Q I didn't understand at that point how it came to be that the supervisors at DEA weren't aware of the travel of these people.

A It was my belief that both [redacted] and [redacted] were full time at DEA headquarters, and that if there was travel, it was very limited travel.

As a result of our 19 -- our May, 1987, inquiry, I learned to my chagrin that that was not the case, that there was extensive travel, specifically by [redacted]

Q Had you known of the extent of the travel, would you have wanted to be apprised of their travel after June of 1985?

A Absolutely.

MR. GENZMAN: I have nothing further at this point. I might come back and follow up on an issue or two.

Thank you.

BY MS. NAUGHTON:

Q I'm going to sort of hop all over the plain here.

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Is there anyone to your knowledge who works for DEA with the last name of Lawson, L-a-w-s-o-n?

A Name is not familiar.

Q You mentioned earlier when we were talking about the cocaine case, via Colombia and Nicaragua, that Colonel North was briefed on. But I didn't get it straight as to how that briefing of the White House was set up or why the White House was briefed.

A I don't know. With the questioning later the time frame was different. The case from what I now know was probably in 1984. I don't know why there was a briefing at the White House on the case [redacted] Who called the meeting and why it was called, I'm sorry, I don't know.

Q Is it your understanding the briefing took place before or after the informant had made this trip?

A Well, the informant was the pilot of the airplane that flew in with the cameras so the briefing would have been after his initial trip. The question then arose as a result of the briefing whether it was safe for the informant to return to continue the operation, and this is what generated considerable interest around certainly, around Washington, whether because the briefing took place, that we

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had created a situation where there was a potential for leaks and that we would be putting the informant or undercover agents in jeopardy.

Q Why was the White House briefed?

A Again I don't know why the briefing was conducted because in ordinary operations, we certainly would brief another agency involved, but I don't know why at this time we briefed the White House.

Q Would that have been done with Mr. Mullin's permission or could it have been done without his knowledge?

A I honestly don't know. I did not know of the briefing before the briefing was conducted. It was only after the briefing that I talked to our agent or supervisor who conducted the briefing.

Q Who was that?

A That was Special Agent [redacted] I just can't recall who would have had [redacted] initiate such a briefing.

Q This was at this point still an ongoing case.

A This was an ongoing major investigation.

Q Does DEA routinely brief the White House on ongoing investigations?

A As I indicated, we do not.

Q Can you think of any other instances involving Central America from the period of 1984 through 1986?

A I can't recall specific cases nor can I recall

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geographic areas, but, yes, we would prior, let's say, to an indictment being returned, we would give probably Carlton Turner, Dr. Carlton Turner, we would advise Dr. Turner that an investigation was going to be announced within a day or so, so that the White House would have been apprised of the fact that a major investigation was ongoing because of the high priority that this administration puts into drug law enforcement.

Q And Dr. Turner's position was what?

A He was Presidential adviser on narcotics matters.

Q Would that be part of the White Hous sort of domestic policy staff or part of the NSC?

A No. That would be domestic policy staff.

Q Do you know whether or not anyone at the NSC would have been briefed on such occurrences?

A No. No, meaning they would not ordinarily be briefed.

[redacted]

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Q Let me ask you this general questin and then we can get more specific later. I know many committees of Congress have made inquiries regarding drug trafficking through Nicaragua and specifically either drug activities by the Sandinistas or by the freedom fighters. At the risk of

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asking to go on and on, could you just give us a thumb-nail sketch in terms of what DEA has found regarding drug trafficking in Nicaragua?

A Yes. When the question first began about the involvement of contras or Sandinistas in drug trafficking, we formed a unit at DEA headquarters within our intelligence branch to review all information that has been developed or is in the process of being developed by DEA to determine whether or not there is anything that we have that will confirm such involvement. We sent communications to the field, asked every field office where any allegations were received to send those to this unit in headquarters. We have not received any information to substantiate that there is an effort by either the Sandinistas or the members of the contras in any conspiracy to traffic in illicit drugs.

There are individuals who say they are contras who are involved in trafficking and individuals who may be Sandinistas who traffic, but to date we have not been able to confirm or deny that there is such activity.

Q Have any reports actually been prepared by that unit or by the DEA to send forward to Congress?

A I don't know. Internal reports have been prepared. We have briefed Congressional staff members of Congress and have answered that question before committees of Congress. But whether an official report has been prepared,

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I don't know.

Q I want to ask you specifically about Mario Calero. Are you aware of any episodes regarding a planeload of narcotics that was perhaps brought down? I'm thinking specifically in the July, 1985, time period.

A I am not.

MR. BERMINGHAM: I think it's July, 1985.

MS. NAUGHTON: I could be wrong about that.

MR. BERMINGHAM: Possibly October, '85, in New Orleans and DEA allegedly busted the plane of Mario Calero.

THE WITNESS: I'm not aware of it.

MR. BERMINGHAM: If I get you, through your counsel, a date -- it's in a North note -- if I get that for you and call you, could you check that out for us?

THE WITNESS: Absolutely.

MS. NAUGHTON: I appreciate that. So we would sort of be interested in a run on Mario Calero as well as the [redacted] character.

BY MS. NAUGHTON:

Q I want to ask you about another episode and this regards a Customs, basically, who was originally a defendant in a Customs case, later became a Customs informant and an informant for Secret Service, goes by the name of both Kelso and Williams, originally became an informant out of New Orleans and was worked by those agencies out of

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New Orleans, and had information regarding a counterfeit ring. He was on or about August 27 of 1986 in Costa Rica working for those agencies and was then -- and this is according to Customs -- rousted by DEA agents who raided his hotel room and posed as Customs agents, where he then eventually fled in Costa Rica.

Do you know anything about that episode?

A I'm not familiar with the episode at all.

Q Mr. Kelso then fled to John Hull's farm and I would like to ask you whether or not you know of any drug activities on behalf or by Mr. Hull or by individuals utilizing his farm as a base?

A John Hull?

Q H-u-l-l, in Costa Rica.

A Not familiar with him.

[redacted]

A No information at all on Mr. Hull.

Q One other episode I want to ask you about. There was a person acquitted eventually in Pennsylvania that was acquitted under name -- of the name Z-a-d-a-h, who goes by many names, and had posed himself to be a Saudi prince. As it turns out, [redacted] had contact with this individual.

Were you briefed at all on their contact with the

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individual contemporaneously, that is, in either '85 or '86?

A No. I am now aware of their contact with the prince but my awareness came as a result of our May, 1987, review.

Q I want to ask a general question about the use of unappropriated funds. Is there a policy in DEA against the use of unappropriated funds?

A The unappropriated funds is a generic term which I heard during the hearings by one of the star witnesses. We just have 31 U.S.C. 628 which outlines that funding can only be used for drug enforcement and that's what we use as our reason to expend or reason not to expend money.

Q That's sort of a different question. That goes to how you would spend it.

My question is, I guess, more pointedly, is, has DEA used any money from any private sources to pay a bribe or any source for information?

A Not to my knowledge.

Q When the Attorney General was asked about this during his testimony, he said private funds could be used because you do it all the time in the areas of forfeiture whereby when someone is acquitted on narcotics-related charges, the profits from that drug trafficking, such as assets and cash, can be then transferred to the government and then used by DEA in their operations.

Do you consider this to be private money, such

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forfeited assets?

A Well, let me first clarify, yes, that's true. When monies or property is seized and later forfeited to the government, the money can be used for enforcement purposes, but we cannot use that money for DEA operations because I think OMB is most concerned about our having a private fund to conduct our operations. So it can be used -- the OMB regulations are quite clear that if we see -- last year we seized $400 million from traffickers. We can share that money with state and local officers. We cannot use it for operations. We can use a car that has been seized and forfeited. We can use a piece of property that has been seized and forfeited. We cannot use money in our operations except for trafficker-generated funds.

If we are involved in an operation, an undercover operation, and we are, let's say, like Operation Pisces, the money laundering operation involving the government of Panama, we can use money furnished to us by the traffickers to pay for the operation. But, no, we cannot use monies seized in our operations for operational purposes.

Q Are those monies reverted to the general treasury of the United States?

A They are reverted to the general treasury.

Q So they become U.S. funds at that point.

A Yes.

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MR. GENZMAN: Can I follow up on that point?

MS. NAUGHTON: Sure.

MR. GENZMAN: Let me refer to this memorandum of December 9, 1986, specifically the addendum which states, "As agreed previously other than actual operational expenses, no unappropriated funds were handled by DEA."

Can you first of all tell us how it came to pass that this addendum was included with the memo?

THE WITNESS: No. This addendum was written at the same time that he wrote the original piece.

MR. GENZMAN: Was there any particular reason he called it an addendum to your knowledge?

THE WITNESS: I don't know why. Perhaps [redacted] was the one who can best answer why. I have no idea why that was so stated and added as an addendum when in fact it was part of the original document.

MR. GENZMAN: You don't recall having him writing out the rest of it and then asked him to add something about unappropriated funds?

THE WITNESS: No. I had told him to write out what he had told me about our continuing involvement in the intelligence probe. He said who should I get to type it? I said I don't want it typed. I want you to deliver it in your own handwriting. He delivered it to my secretary, to [redacted] and I had [redacted] type it up in its

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present form.

BY MR. GENZMAN:

Q That addendum does specifically use the term "unappropriated funds"?

A Yes.

Q Do you know the context of that term?

A No, I don't. As I mentioned earlier, the language, unappropriated funds, is not something we use in DEA and I have heard it referenced any of a number of times during the hearings and most specifically by one of the witnesses who continued to talk about unappropriated funds.

Q Also the addendum mentions as agreed previously. Do you know anything about this agreement, who the parties were and what the agreement was?

A No. When I read what [redacted] wrote my concern was that he outline the fact that this was indeed an intelligence probe. When I saw the last sentence I assumed that what [redacted] was trying to say was that concerning my instructions that if it is not a drug initiative, DEA funding can't pay for it and that's why I didn't question it at the time.

Q What you just stated is an assumption?

A It's an assumption.

Q It wasn't confirmed in conversation with

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[redacted]

A No, it was not.

Q I have nothing further on that point.

BY MS. NAUGHTON:

Q I want to show you a document and ask you if that is your handwriting?

A Yes, it is.

Q In that case I would like the reporter to mark this as Exhibit No. 1 for the deposition.

(Exhibit No. 1 was marked for identification.)

BY MS. NAUGHTON:

Q Let the record reflect we have also marked as Exhibit 2 the memo of December 9, 1986 of which you have just been speaking.

(Exhibit No. 2 was marked for identification.)

BY MS. NAUGHTON:

Q Directing your attention to Exhibit No. 1 which you have identified as your handwriting, are those, Mr. Lawn, contemporaneous notes that you took during briefings with people at DEA regarding this subject matter?

A Yes. As I recall, this was the result of a meeting that I had with [redacted] but I don't recall why I didn't date my notes.

Q Well, there's a reference at the top to February, '85, where there's a discussion of the [redacted]

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[redacted] and so forth. So I gather this briefing took place after February of '85, is that correct?

A Right. Yes.

Q Directing your attention then -- I apologize, we just have the one copy. Directing your attention to the second page there seems to be a division about one-third of the way down and then a reference to Ed Hikey. Is this reflective of a conversation with Mr. Hikey or are we still in the middle of a conversation with [redacted]

A No. This, as I recall, was based upon a conversation with [redacted]

Q Okay. If you could please start reading for the record, since it is in your handwriting so we get an accurate representation, of the handwriting from the words Ed Hikey on down.

A Okay.

The first column indicates 50,000, making reference to $50,000. The next line, which is underlined, said [redacted] -- meet [redacted] go [redacted] out early [redacted], and then on the right column is the name "Buckley"-covert. The next line indicate[redacted] [redacted] and I assume that would make reference to Buckley [redacted] in May of 1985 [redacted] I assume mean[redacted] I would assume they are making reference t[redacted]

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[redacted]

Q That is referring to Buckley [redacted]

A Right. That would refer to Buckley [redacted] And then a note that says [redacted]

Q Is that a reference to Buckley [redacted]

A I would assume that is Buckley [redacted]

Q Were you told that [redacted]

A That would appear to be the case here, which would contradict what Mr. Azzam had told me about what the CIA had told him [redacted]

Q To the best of your recollection are these notes then of a conversation you had with [redacted] or Mr. Azzam?

A I would have to say they are conversations with [redacted]

Q Do you recall did you take these -- there's three pages of them. Did you take them all at once or are these like your file?

A Well, some of the information, [redacted] obviously

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that is something other than the hostage situation. I believe this is one meeting because in subsequent meetings I didn't ordinarily take notes because our meetings were brief. The meetings generally consisted of [redacted] coming in, my meeting [redacted] not even sitting, saying what is the status? He said well, we have X number of informants doing the following. Things are going well or things are going poorly. Thank you. Keep me posted kind of thing.

Q If you would please continue reading the notes.

A The next line says donor money not CIA.

Q What is that a reference to?

A I don't know. I don't know what I am referencing. Let me read a little further here. CIA [redacted] will enter Beirut and then above Beirut I have underlined five questions.

Q Now that would indicate that Mr. Azzam wanted those personal questions answered?

A That's right. It would probably indicate that as a result of the lack of satisfaction which people had [redacted] that the informant was asked to go back in with a series of questions into Beirut. CI will set up meeting wit[redacted] will check with [redacted] Clear wit[redacted], bring into [redacted] through [redacted]

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[redacted]

Again my assumption is that they are talking about a plan to bring some of the hostages from [redacted] I probably asked about how much this has cost and with an asterisk there is the notation we used 20T.ops, 20,000 operations money, 50,000 gone and I assume that would indicate the $50,000 which we received from the DIA because below that it says signed 103s, meaning that the informants had signed for receipt of that money.

Then there is the notation on the side the number 20, which is underlined, and PE/PI. This refers to operational funding that we use for the purchase of evidence or the purchase of information. Then on the last notation is the name Oliver North underlined.

Q I want to get back to that, but now you have basically read that whole entry. Again referring your attention to the part that says donor money not CIA, is it still your testimony then that you were not told that this money would come from private sources?

A I don't recall being told that it was donor money but as I see I have it written down here that it says donor money. Unfortunately I don't recall being told that.

Q The reference to Oliver North, you have a star circled. Does that indicate anything in particular from your notes?

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A No.

Q Do you remember why you starred it?

A No, I don't.

Q If we could turn to the next page. If you could continue reading.

A The first line again with an asterisk indicates new avenue of approach through [redacted] Then the next line says travel, CI, meaning confidential informant, 50,000, $50,000 and then in brackets 75,000, PE/PI, purchase of evidence, purchase of information, and the number 30 in a circle for travel.

Q Do you understand what the reference is to 75,000?

A No, I am sorry I don't know what the reference is.

Q So you don't know where that money came from.

A No, I am sorry, I don't.

Q Is that an unusual for PE/PI purchase of evidence? Simply referring to the fact it's not a round number?

A No. Unless it's a cumulative total. Again I don't remember the context of the conversation. It would appear I asked what is the total amount of money that has been spent or that has been distributed so far. The CI, obviously that is the 50,000 from the CIA. 76,000 PE/PI, we did not purchase any evidence to my knowledge in this

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effort. 30 travel, I don't know what that refers to.

The next line is in brackets, facilitators will not handle funds. Then below that I have again with an asterisk the name Judge Webster underlined. Then below that travel expenses, following line reporting to me and underlined twice with the notation reporting to me. I have a number 1 circled, contact with donor, and number 2, below that I mean, the notation provide code book.

Q Do you know what those two references are to?

A No, I am sorry. I don't know what they refer to.

Q First of all, going to the facilitator's comment, facilitators and in brackets will not handle funds, is that a reference to the fact that the DEA agents would simply facilitate the movement of private monies but would not actually handle the funds?

A Again it's hard to recollect. It may be in reference to a question -- I don't know if you are talking about this funding -- are you involved in transporting, generating funding and he said no, we are not involved, will not handle funds. Facilitators, I don't know, nor do I have any idea why I would put down Judge Webster.

Q Had you discussed with Judge Webster

[redacted]

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[redacted]

A No, because I was not aware of it.

Q So in other words, you didn't get any instructions from Judge Webster, any advice regarding the agents being used only to facilitate the movement of private monies?

A No. I certainly didn't.

Q Does this note refresh your recollection that you may have been told then by [redacted] that they would not handle private monies?

A I assume that I was told. I am sorry, I just don't recollect having been told.

Q Do you recall whether you had given the instructions that the agents should not handle the funds themselves?

MR. BERMINGHAM: Do you see any reason why they shouldn't have handled the funds?

THE WITNESS: Do I?

MR. BERMINGHAM: Yes.

THE WITNESS: Yes, I do.

MR. BERMINGHAM: What would have been the reason they shouldn't handle private funds?

THE WITNESS: As I learned as a result of our administrative inquiry, money was to be delivered to a source either going into Lebanon or a source in -- who had come

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out of Lebanon? I am not sure which, the money being the $200,000. When I reviewed our results of the interviews of the agents [redacted] said that he couldn't deliver the money but that he would get his brother to deliver the money. As I read that I was astounded because if I can't deliver the money and I recruit someone else to deliver it, accompany me and deliver it for me, he is in fact an agent of the government. He is operating for the government and I was shocked in learning that [redacted] had recruited someone else to travel with him to deliver the money because it didn't make any difference whether [redacted] himself did it or he had his brother do it, because in either case they were agents of the government.

I thought that [redacted] with his length of experience, would have recognized that.

MR. BERMINGHAM: My question is why did [redacted] feel, and why does this note indicate, they should not handle money? I have seen cases, you have probably seen it at the Bureau, I have handled on payoff money on a ransom for kidnap victims. We on occasions used private money. Why did he feel in this case he could not use, handle the private money?

THE WITNESS: I think that was based upon what we now know the conversation between North and [redacted] where North said will you find someone to deliver this money or

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should I find someone to deliver the money. This was North's instructions to [redacted] that [redacted] couldn't do it but that either North would find someone to do it or [redacted] should find someone to do it, and that is when [redacted] volunteered he could get his brother to do it.

MR. BERMINGHAM: That doesn't square with your notes where you say you shouldn't handle the money or someone said they shouldn't handle the money. Could it be because nobody wanted to be in the position of saying the U.S. government paid ransom?

THE WITNESS: No. That clearly wasn't the case because at no time did the question of ransom ever come up.

MS. NAUGHTON: I guess I will reask Bob's question, which is what would be wrong with the agent himself actually picking up money from Ross Perot or some other private donor and delivering this bribe money?

THE WITNESS: Well, first it would indicate to me that we were involved in an operation, that we were operational and if we are delivering money we are clearly operational.

MR. GENZMAN: Can I interject there? If you are delivering money to someone who gives you information, you consider that operational?

THE WITNESS: No. If I am paying an individual for information he has given me on a DEA case, no, I think

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that clearly is intelligence gathering. But if I am giving someone money for something other than what we are supposed to be doing, I think we have then crossed the line of -- our line of authority as agents of the government. If I had been asked by [redacted] or [redacted] may I deliver money, CIA money or private funding, that does trouble me and I would have gone to probably to our counsel's office to see whether that was appropriate. Because it just doesn't seem to me to be appropriate. Certainly if it were a DEA case it would be, but here we are out assisting an intelligence gathering and this seems to be more than that to me.

MS. NAUGHTON: So if I can get at the heart of your concern, your concern is not with the propriety of using private money in general for let's say a drug-related DEA activity, but is rather connected to using the DEA for an operational role in intelligence gathering that is not drug related.

THE WITNESS: Specifically in this case it would have been my concern that we had exceeded the bounds of what I thought our responsibility was and that was intelligence gathering. In a drug case our delivering money to a defendant or a suspect would not trouble me.

MS. NAUGHTON: Delivering private money.

THE WITNESS: Delivering private money that we were documenting, that wouldn't be a problem to me if, as

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Bob had mentioned, if we have an investigation and we need money which, if we need $500,000 flash money, if it were to take a period of time for us to get it cleared but a local bank said on your signature I will give you the flash money, we certainly would use that private money, but we would clearly indicate that this was money that came from the bank.

But this is more than that. This is operational in an area where I didn't think we were operational.

BY MS. NAUGHTON:

Q The reference again on the bottom of the page to a donor --

A Contact with donor.

Q Does that refresh your recollection that you were told private monies were going to be used?

A No. As I had mentioned -- no, it does not. I had been aware, as I said, at some point -- maybe I mentioned a million dollars -- that it was going to take a million dollars for each hostage that was to be retrieved from Lebanon and I thought that my recognition of that fact was in May of 1987, but obviously it was sooner than that. It would have been probably in June of 1985 when reference is made to donor money.

Q This would be the one million per hostage as opposed to the 200,000 that was used to sort of grease the

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wheels to get the operation moving?

A Yes, because I thought that that 200,000 dollars was CIA money and it was only, as I say, in May of '87 that I learned that it was not.

Q Now, as to -- we have been talking about the propriety of using private money to pay these bribes. Could you comment on the propriety then of using private monies to pay the expenses, the travel expenses and eating and lodging of the agents themselves?

A Yes. In my mind's eye that is clearly wrong. In no case can I conceive of an agent traveling in an official capacity who would use anything other than official funding. What I mean traveling in an official capacity, if an agent is traveling on a DEA case in an undercover role, he would be paying cash, either his cash for which he would be reimbursed, or trafficker assets which are part of an ongoing operation. But whenever an agent travels on official business the money must be paid by that agency. I don't think we were allowed -- I know we were not allowed to have any private source of funding for official travel.

Q Is that pursuant to regulation though?

A I believe that is pursuant to regulation. I think it's 28 CFR, 28, Code of Federal Regulation.

Q I think it's also a statute as a matter of fact. You have since learned, I gather, that both [redacted] and

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[redacted] were paid from private funds; is that correct?

A Yes.

Q What I'm curious about is you were obviously under the assumption DEA was paying their travel expenses, correct?

A Yes.

Q If that had been the case, they would have had to have filled out paperwork, submitted their tickets, their vouchers and so forth, and expense receipts.

A Right.

Q Presumably someone either in accounting or administration or some supervisor would have had to have given approval for that.

Now, what I'm curious about is how is it that let's take [redacted] could have traveled so much without anybody questioning why this guy didn't have any vouchers or there was no paper accounting for these travel expenses?

A How was it possible? It should not be possible. There clearly was a breakdown in the system. Which breakdown, we are going to have to address when this particular business is closed. That is the reason for our administrative inquiry.

Q Are you saying then you don't know the answer to that question yet until your inquiry is complete?

A [redacted]

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Q Maybe you can give me then a better general picture of how normal travel expenses would be accounted for. Maybe that would answer my question.

A Certainly.

Q An agent travels. I assume he fills out one of the standard government forms and that is signed off by a supervisor; is that correct?

A Prior to his travel he must get a travel authorization, for most personnel in the Drug Enforcement Administration the travel authorization order is signed on a trip by trip basis. In some cases someone has given travel authorization for a month or for six months, let's say an inspector on the inspection staff who does considerable travel, the authorization will be for his tour on the inspection staff. But generally it must be a trip by trip basis. A supervisor must first authorize the

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travel and then a copy of that travel order must accompany the voucher to our voucher staff section.

If the travel order is not there, the voucher review clerk will bring that to the attention of the supervisor and that will generate inquiries as to the authorization under which an individual traveled. If an individual works in an overseas position, instead of having the actual travel order documentation, he will present the copy of the cable, a cable of Headquarters saying yes, you may travel from [redacted] to Washington, D.C. But a voucher will not pass for approval without some authorization to travel.

Q So there has to be authorization before the travel takes place.

A Right.

Q In the case of [redacted] was this done in any of his post-July '85 trips?

A No, it was not to my knowledge.

Q How could he then have traveled?

A We now know that he traveled by receiving funds for that travel outside of the DEA system.

Q Here is my question. He is working in the [redacted] right? And he has I presume a supervisor in that section, who presumably knows that [redacted] is not presently there and is someplace else. Would he not have had to have signed an authorization for him to travel?

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A If DEA was paying for the travel he certainly would have had to sign that.

Q Assuming that he did not, which you said he did not, and [redacted] was gone for let's say three weeks, did that not come to anybody's attention?

A As I understand it, in the inquiry that we did, [redacted] went to the immediate supervisor and said that [redacted] is working on a special project at the White House and the supervisor raised the level of interest no higher.

Q Then in the case of [redacted] traveling, who would have been the person to approve his travel?

A Up through June of 1985 it would have been his immediate supervisor, Mr. Assam, myself or as I mentioned, John McKearnan who was my executive assistant who had that authority in my absence. But after June of '85 I don't believe that we have found any travel vouchers for either [redacted] or for [redacted]

Q You had testified earlier that he would call you to say he was traveling on this.

A Right.

Q On occasion, and would you authorize it verbally. Why did you not sign a document that said he could travel?

A Because up through 19 -- June of 1985 when he was traveling I was not his immediate supervisor. His immediate

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supervisor would have signed the documentation and that would have been either [redacted] Dave Westrate or Frank Monastero. On the voucher it would indicate who had approved the travel and the fact that the travel was for SEO-471.

Q That is fine for before July of '85. After that you tell him to report to you and he comes to you and he wants to travel. Why is it that you haven't signed of on a request for travel?

A Because as I understand it, when he traveled he did not travel on DEA/GTRS.

Q I understand what happened. I'm asking you what you were thinking at the time. In other words, he was to report to you and you were to supervise him.

A Right.

Q In the normal course, if DEA was to pay for these funds, you would have to sign that.

A No. His immediate supervisor would sign it.

Q So it was your understanding he was to report to you but you were not his immediate supervisor for travel authorization?

A No, no. He was to report to me on the hostage situation, but he was full time in his work on the heroin desk. So it was my assumption if he were traveling his supervisor would have signed his travel orders and would

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have approved his voucher.

Q So you were assuming his immediate supervisor was actually handling the paperwork of the travel.

A Right. Right.

MR. WOODCOCK: Even though the mission was purely hostage related?

THE WITNESS: Even though the mission were hostage related, because the terms of reference indicated that personnel costs would be borne by the agency.

BY MS. NAUGHTON:

Q CIA?

A Personnel costs would be assumed by the agency involved in the activity.

Q In this case DEA would?

A In this case DEA.

Q Did you ever check with his immediate supervisor to see if those vouchers had indeed been --

A No, I did not because I was not aware that [redacted] or [redacted] were traveling and certainly not to the extent, as I mentioned earlier, that [redacted] in fact was traveling.

Q To the best of your recollection over time, now that you know [redacted] traveled, did you give permission for that travel or were there times when he did not seek your permission?

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A As I recall there was only one time when he requested authority to travel from me. The other instances he is under the SEO it would have been his immediate supervisor. After June of 1985 I can only assume that he has sought no one's authority because DEA was not paying for that travel, which is in violation of our administrative procedures.

Q At the risk of beating this one, I want to get your position absolutely clear on the record and give you an opportunity. After seeing these notes which do make mention of donor and not handling funds and so forth that we have gone through, is it your testimony now that the notes indicate you were told that donor money was being used but that you don't recall raising the issue with him regarding the propriety of using private money?

A Yes. As I mentioned, based upon the notes, obviously I was told that there was donor money and I was obviously told that it was not CIA money. I don't recall hearing that. I don't recall recording that. But this obviously is my handwriting.

Q Do you recall giving any instructions for him not to handle the money?

A No, I do not.

Q Anybody else?

MR. WOODCOCK: I have got just a couple.

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EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE:

BY MR. WOODCOCK:

Q On the travel matter, i[redacted] were to say that after June of 1985 whenever he did travel he did check with you or with Mr. McKiernan, do you know whether he would be mistaken on that score?

A I can recall one occasion when [redacted] told me he was traveling on the hostage situation. Other than that one time I did not authorize any travel.

As I indicated, I subsequently have learned, and I'm very surprised to the extent to which bot[redacted] and [redacted] had traveled.

Q So your recollection is you approved it that one time and no other time, is that correct?

A That one occasion.

Q And to the extent he did travel and to the extent that anyone in DEA approved that travel, it was not you; is that correct?

A That's right.

Q Did he ever -- let me strike that.

I gather you would have understood that his involvement in the hostage location effort was extremely sensitive information; is that correct?

A Oh, yes. I would say that it was sensitive based upon the sensitivity of the issue raised by the CIA.

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Q Did you consider his involvement per se to be a sensitive matter?

A No. Sensitive in what way? Too sensitive to tell people about?

Q Something you would not tell others about that would be perhaps related to people on a need to know basis within the agency?

A Yes. It would have been related on a need to know basis in that any enforcement operation or intelligence operations is handled on a need to know basis. We don't advertise what we are doing because in this case, in any case

[redacted]

Q Did ever tell you that his involvement in this and involvement in it was so sensitive that the normal travel documentation procedures should not be followed or could not be followed?

A Absolutely not.

Q Did he ever tell you that Lieutenant Colonel

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North was of that opinion?

A No, he did not. Quite the contrary. I had asked [redacted] -- I am sorry. I had asked the inspectors who looked into this to ask [redacted] and [redacted] whether they had received any instructions not to advise DEA as to what they were doing, and in their interviews they had said they had not received any such guidance from anyone.

Q Although [redacted] would have understood he had to report to you or someone before he had to travel, would he also or was it also an understanding within the Agency that he would have to travel in such a way that he would not leave a paper trail?

A It cearly was not my understanding.

Q Ever heard of such a notion associated with this?

A Absolutely not.

Q Had [redacted] suggested that to you, that this was so sensitive he had to travel in a way he would not leave a paper trail, what would your reaction have been?

A My reaction would have been to certainly pursue it because it would have violated my understanding of what the terms of reference were to our involvement in this activity and it would have indicated that there was something more ongoing than I anticipated was ongoing.

Q Let me just shift gears slightly. On the subject

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of the donor money, were you aware that in late April, early May 1985, Abe Azzam was speculating that the private monies were going to be coming from Ross Perot?

A I am aware now that Abe Azzam in his meeting during that time frame made reference I believe to someone in the CIA that the money that would be necessary, the $200,000, that if the CIA didn't get it that North probably will get it from Perot because in the follow up investigation we conducted there was a notation that in North's comments to Abe Azzam at their meeting in early May, North was angry with Azzam because Azzam raised the issue of Perot money involved in this activity.

Q You know that now but do you recall having a contemporaneous knowledge in late April, early May of 1985?

A No, I don't.

Q That Azzam was so speculating?

A No, I do not.

Q I don't have anything more.

MR. BERMINGHAM: I have three questions.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE:

BY MR. BERMINGHAM:

Q The first one is talking about that whole operation into Lebanon [redacted] using three or four sources. Were they also reporting on narcotics matters?

A Yes.

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Q Were they paid for narcotics information through DEA?

A I have not seen the vouchers, the informant vouchers indicating that they were paid, but I did talk to [redacted] who tells me that individuals who were also involved in the hostage thing have been paid [redacted]

Q Could you give us a statement whether during that period of time that [redacted] and [redacted] were operating these three or four fellows with a view to locating the hostages, whether at that time they were developing also, information they were being paid by DEA for the narcotics information let's say from 19 -- February 1985 through September 1986? I think that would be good to have on the record.

A I know that the source one who received the $50,000 did not additionally receive payment from DEA. The other source [redacted] who were furnishing information, I don't know whether they were paid from DEA funds for drug intelligence and were paid separately for some other efforts involving the hostages. I don't know that information.

Q Could you research that? I think that would be very important in this whole matter whether these two agents were actually operational in a DEA way, getting DEA

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legitimate drug information during that period.

A I could research it as far as our DEA files were concerned. But if the individuals were paid by [redacted] and [redacted] from some other fund, [redacted] and [redacted]

Q That is not the implication. The implication would be were they operating as regular DEA informants getting drug information and being paid by DEA at the same time.

A No. I believe again based upon my conversations with [redacted] that they were receiving money for providing on an ongoing basis drug information, but they were not double paid.

Q I wasn't thinking about double pay. In other words, this operation did involve getting legitimate drug information of an intelligence nature for your information.

A Absolutely. Volumes of it in three major intelligence probes.

Q Other than source one, they were paid from DEA?

A Yes, sir.

Q Two other questions. To get back to the contra newspaper type information that the contras are or have been involved in narcotics smuggling, you say you have set up a special unit in your intelligence division that coordinates and looks into this business on a regular basis. I think for our reporting that would be very important to point out

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that you have done that and to have an opportunity at the same time from them to the committee summarizing their results. Would that be possible?

MR. HOFFMAN: I would suggest that any request for the committee for any document be channeled to DEA through John Bolton's office, OLIA in the Justice Department and let them determine the appropriateness of us furnishing any document to the committee.

MR. BERMINGHAM: Your statement to us right now is there is that active unit and to date you don't see any involvement by the contras as an organization or its leadership or any government agency or officials involved in sanctioning drug trafficking?

THE WITNESS: As of my last briefing there was no -- we had developed no such information.

BY MR. BERMINGHAM:

Q The last question. Maybe I'm mistaken but I believe Buck Ravell has testified in the FBI they sent out a teletype to all offices asking for any contacts you have had with Oliver North or anybody from the NSC, possibly trying to interfere with an ongoing investigation or trying to get information.

Has DEA done that?

A No, we have not done that. Certainly I can even explain why we haven't done it because if anyone requests

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any information of DEA, anyone outside of DEA personnel, the field will always notify us. Even if a member of a congressional staff arrives at a given city and says we are investigating such and such, we would say well, we will have to check with our headquarters to determine whether it's appropriate for us to talk to you. And that is a very strict mandate we have.

We can certainly send that communication out but --

Q The same thing would probably hold for the FBI except for the fact that they did send it out and we did find out that Oliver North was in contact and we do know he was in contact with other federal agencies with regard to alleged violations by contras.

A Right. The difference would be, though, the Bureau, as you know, have a multiplicity of violations. They have terror system. North was interested in the terror system factor. He was interested in this and that. We just have one violation. If someone were to come in to raise some questions about drug law enforcement --

Q I'm trying to put myself in Ollie North's position where my friends are being accused of being involved in drugs. I know drug enforcement people. I would naturally check with somebody in DEA to find out if my friends are really involved in drugs.

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Did he ever request any information from you?

A Absolutely not.

Q I think we have a gap here. You know if it would be possible to send out some type of a thing like the Bureau did just to -- it would be of your own interest too to know.

A Except for the fact our indices are different. For example, ours are completely computerized indices and if an inquiry is made abou [redacted] that is recorded in the computer and when we check and find out that there is [redacted] in our computer, the computer will also tell us there was a prior check made on this individual and the individual who made the inquiry is number such and such and each of us have an access number.

So we can then track who it was that made that inquiry. You must have an access number. And that is different from the Bureau's system.

MS. NAUGHTON: Could I follow up on something Bob asked about?

You mentioned [redacted] said that he indeed paid these same sources that were used for the hostage effort for drug related information.

THE WITNESS: Yes. [redacted]

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[redacted]

BY MS. NAUGHTON:

Q But were his payments to these sources out of the SEO-471 account?

A No, they were not.

Q Do you know whether or not [redacted] and [redacted] paid after July of '85, paid any of these sources from the SEO-471 account?

A No. We have no information that any additional monies were paid out of the SEO. We have accounted for the monies that were placed in that SEO.

Q Okay. So what I'm asking is i[redacted] and [redacted] met with one of these sources, sources one through four, that they used, let's say in the fall of '85, and these sources had also given drug information, would that have been paid from DEA money or would that have been paid in the normal cash payment that [redacted] might have made to them from other funds?

A We researched that and have not found any information in our files which indicate that those individuals when they were debriefed furnished drug intelligence information. So therefore they would not have been paid from DEA funding. It's interesting because in our follow up with [redacted] they said that during the course of this whole thing they had continued to develop drug

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intelligence. We have not found any memoranda generated through their contacts with these informants which developed drug intelligence.

Q Were these sources interviewed in the course of your inquiry in 1987?

A The sources, no. Our inquiry in May of '87 was an internal review [redacted]

Q Okay. So you don't know, for instance, what source one did with the $200,000?

A I do not.

MS. NAUGHTON: Thank you very much for your patience.

MR. HOFFMAN: Will we be purchased a copy so he can read and sign?

MS. NAUGHTON: You will not be provided with a copy of the deposition. You can come up here and review it. We don't release them.

That concludes the deposition. Thank you.

(Whereupon, at 2:20 p.m., the deposition was concluded.)

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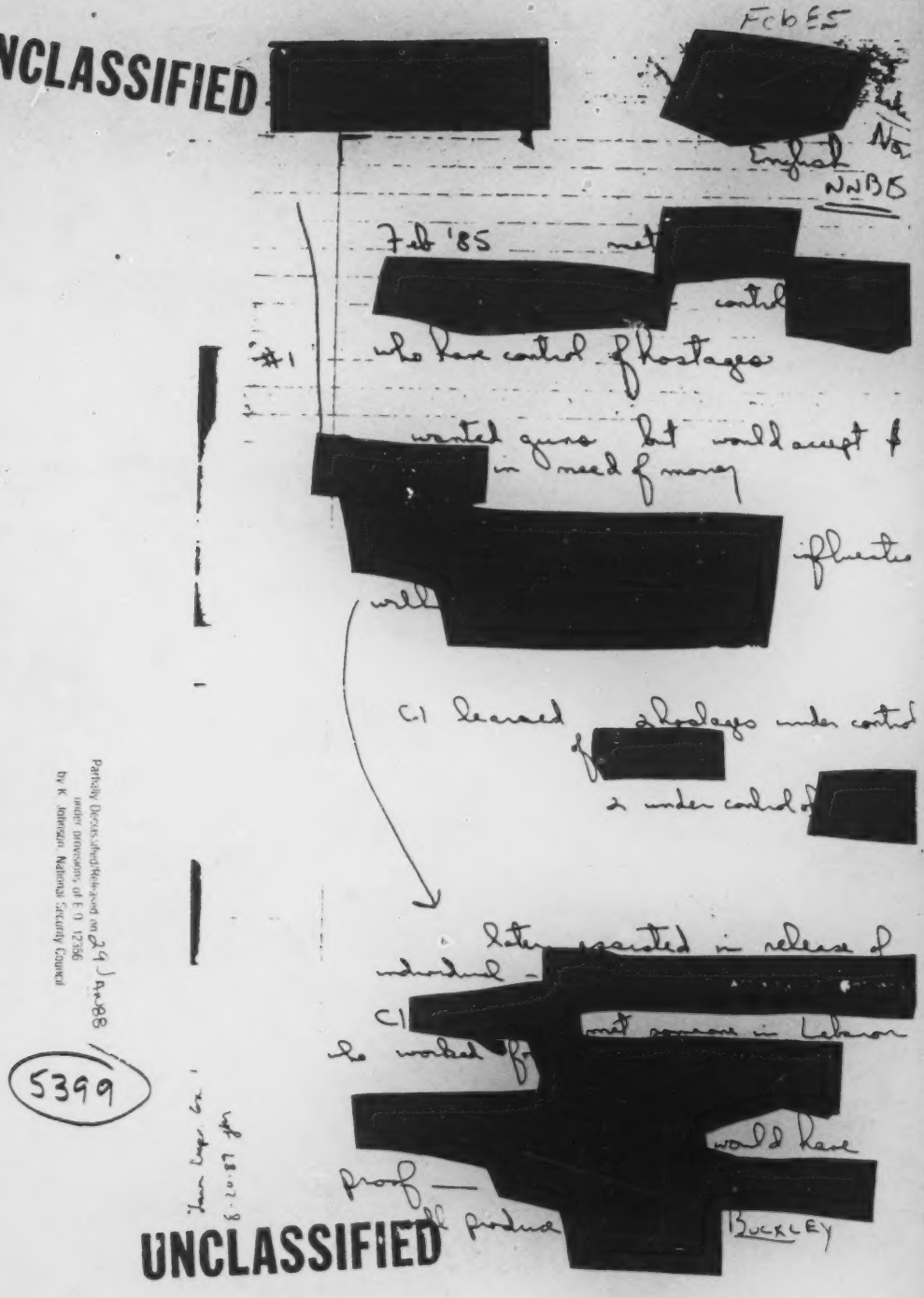

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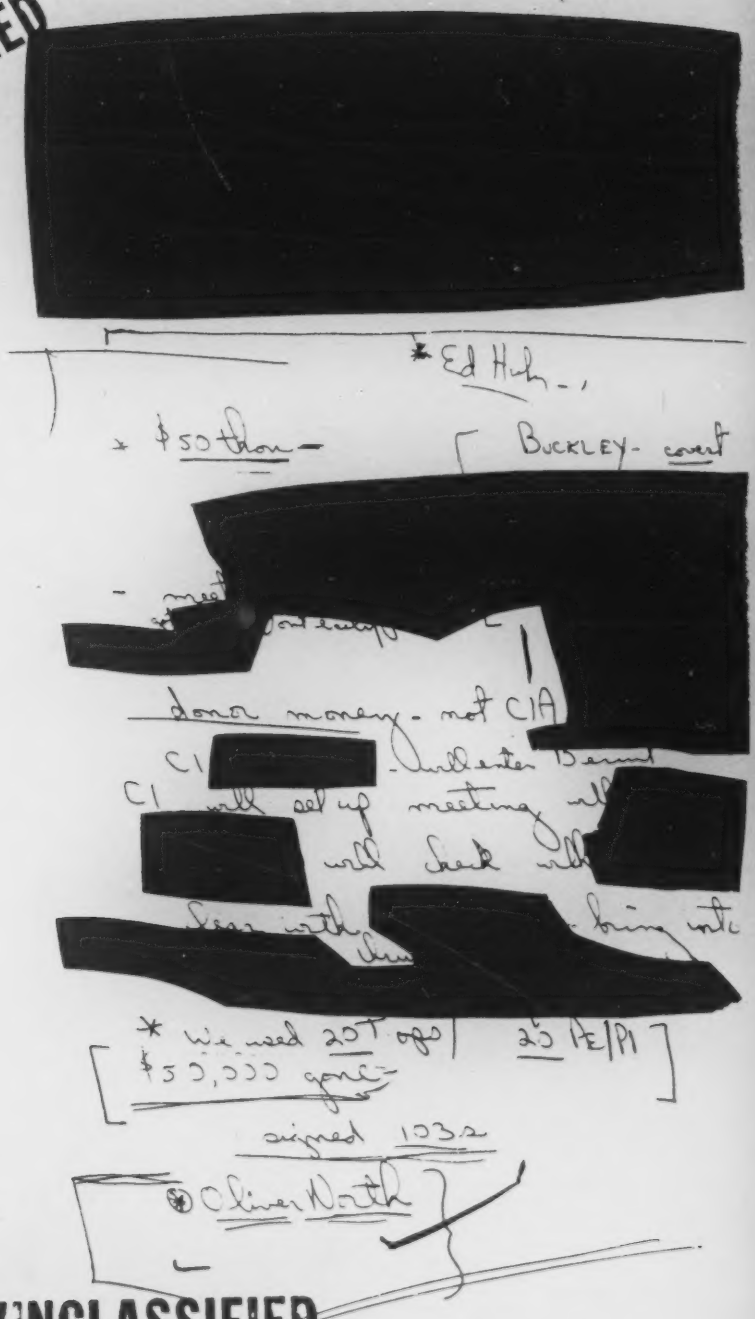

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provide + code book

* [redacted]

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UNITED STATES GOVERNMENT

memorandum

DATE: December 9, 1986

REPLY TO ATTN OF: [redacted]

SUBJECT: DEA Support of U.S. Hostage Situation

TO: Mr. John C. Lawn
Administrator

Participation of DEA officers [redacted] and [redacted] in attempting to locate and extract American hostages held in Lebanon.

The following is a brief summary of actions taken by the above named:

1. The recruitment of [redacted] including previously documented DEA CIs knowledgeable of Middle Eastern affairs and customs.

2. Utilization of [redacted] sources of information, many of whom were/are aware of DEA's good standing/reputation in the international law enforcement community.

3. Extensive debriefing of these SOIs regarding (a) narcotics trafficking; (b) terrorism; (c) hostage-taking, etc.

The information gleaned from all of the above was passed/distributed/made available to all concerned U.S. Government agencies and officials on a need-to-know basis.

(N.B.) on two occasions, through the judicious use of information obtained from one or more of the sources the possible extraction of one or more of the American hostages appeared imminent, only to be frustrated in the final negotiations by unreasonable demands by the terrorists. However, valuable information [redacted] will assist in making further attempts for the release of the hostages through [redacted] bribes/corruption possible.

(Addendum) As agreed previously, other than actual operational expenses, no unappropriated funds were handled by DEA.

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5400

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OPTIONAL FORM NO. 10
(REV. 1-80)
GSA FPMR (41 CFR) 101-11.6
5010-114

DEA support UNCLASSIFIED (1)

U.S HOSTAGE [redacted] Team

Participation of D.E.A. officers [redacted]

[redacted] & [redacted] in

Attempting to locate and Extract held American Hostages in Lebanon.

The following is a brief summary of actions taken by the Above named:

[redacted]

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1) The Recruitment of [redacted] including previously documented DEA CI's Knowledgeable of Middle Eastern Affairs & Customs

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(2)

2) Utilization of [redacted] SOURCES of INFORMATION many of which were/ARE AWARE of D.E.A.'s good standing/Reputation in the INTERNATIONAL LAW ENFORCEMENT Community

3) Extensive debriefing of these SOI's regarding (a) Narcotic traffic (b) TERRORISM (c) Hostage taking etc.

IP The INFORMATION gleaned from all the Above was passed/distributed/ made available to all concerned U.S Government Agencies and

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(3)

(N. B.) on two (2) occasions thru the judicious use of information obtained from one(1) or more of the sources the possible Extraction of one (1) or more of the American Hostages appeared imminent, only to be frustrated at the final negotiating by unreasonable demands by the terrorists. However, valuable information

[redacted]

will Ac-

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... making further attempts for the hostages

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release three [redacted] bribes/corrupt possible.

(Addendum) As agreed previously other than actual operational expenses No unappropriated funds ~~were~~ were handled by the D.E.A.

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1

SELECT COMMITTEE TO INVESTIGATE COVERT

ARMS TRANSACTIONS WITH IRAN

U.S. HOUSE OF REPRESENTATIVES

and

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE

TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

Washington, D.C.
Wednesday, July 29, 1987

The deposition of CHRIS J. LEACHMAN, JR., called for examination in the above-entitled matter, pursuant to notice, in the offices of the Senate Select Committee, Room 901, Hart Senate Office Building, Washington, D.C., convened at 1:07 p.m., before Pamela Briggle, a notary public in and for the District of Columbia, when were present on behalf of the parties:

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APPEARANCES:

On Behalf of the Select Committee on Secret Military Assistance to Iran and Nicaraguan Opposition of the United States Senate:

JOHN SAXON, ESQUIRE
Associate Counsel
Room 901
Hart Senate Office Building
Washington, D.C.

On Behalf of the Select Committee to Investigate Arms Transactions with Iran of the U.S. House of Representatives:

ROBERT W. GENZMAN, ESQUIRE
Associate Minority Counsel
115 Annex 1, The Capitol
House of Representatives
Washington, D.C.

On Behalf of the Department of the Army:

COLONEL JOHN WALLACE

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PROCEEDINGS

Whereupon,

CHRIS J. LEACHMAN, JR.

was called for examination by counsel for the Senate Select Committee, and having been first duly sworn by the notary public, was examined and testified as follows:

EXAMINATION

BY MR. SAXON:

Q If you would, sir, state your name for the record, please.

A Chris J. Leachman, Jr.

Q And what is your position, Mr. Leachman?

A I'm currently deputy project manager for the TOW program at Redstone Arsenal.

Q And how long have you been in that position?

A Since October of last year, of 1986.

Q And what was your position immediately prior to that?

A I was chief of logistics for the TOW project office, same location.

Q And this is a civilian -- your current position is a civilian position?

A GM-15.

Q Sir, if you would, tell us what the nature of your involvement was in chronological fashion with what we have

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come to know as Project Snowball. That is, the shipment from Anniston Army Depot to Redstone, and from there onward, we now know ultimately to Iran, of TOW missiles starting in early 1986. When did you first find out about this requirement?

A The first knowledge I had of the requirement was a phone call I got from my then project manager Colonel Jim Lincoln. It was on a weekend. I don't remember precisely the date, but it was sometime mid-January time frame of '86. And the conversation was around a requirement for some TOW missiles. And with almost an immediate -- a very quick availability.

Q At that time were the TOW missiles specified as to type or stock number or price?

A If they weren't on that weekend, they were within the next day or so at work. But some time very early in the discussion, they were specified to be basic missiles--what we term basic missiles--3,000 meter missiles. And they were to be in the supply condition code alpha, or code A assets available for unlimited use.

Q And were you given a specific stock number?

A At that point in time, no, sir, I was not given a stock number.

Q Was the stock number dictated then by the two things that you just stated? That is, that they should be

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basic TOW and that they should be condition code A?

A Yes, sir. That translates to us to a particular stock number.

Q And if you would explain for the record how that translates.

A I don't know how you mean, how to explain that it translates. We have a complete listing of all the different missiles we have in inventory, and that particular type would be properly identified by the stock number that goes with that type.

Q Let me see if I can explain ths way I understand it. If you're going to have a basic TOW--and none of these have been produced since 1975--and you're going to put it in condition code A, then that dictates that it have a particular safety modification?

A That is correct.

Q Which is a missile ordnance inhibitor circuit, or MOIC?

A Right, that's correct.

Q And if you're going to put a MOIC on a basic TOW, then that has a particular stock number?

A Correct.

Q And what is that stock number?

A You're going to ask me to remember it, sir? I don't remember it--

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Q No, not the long official stock number, but is that a 71 alpha 2?

A I have to be honest with you, after this extended period of time I don't have--I've got documentation here that I can refer to as to what those numbers are, but I believe that is a 71 alpha 2. I just don't remember, John, at this point in the game, it's been so long. I haven't--but I'm sure it's in previous testimony and you've got it on the forms there. I think the record shows it is a 71 alpha 2.

Q I can find it if need be in your sworn testimony to the DAIG, but you indicated that you normally deal with these missiles in generic terms.

A Yes.

Q And that everyone knows that a basic TOW is a certain type, a basic TOW with MOIC means something else and so forth?

A Yes. And I can give them to you by type, not necessarily by stock number and by PB number. There was a point in time in this whole process where I had those all fully in the front of my mind. Unfortunately, the last few months I've gotten away from the logistics area and now I have program management responsibility and I just don't remember all of those things.

Q When did the issue of price first come up?

A Came up within the first week of the discussions.

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And I did not communicate with the party in DA that was providing the data to Colonel Lincoln, but he did--

Q That would be Major Simpson?

A Yes, sir, Major Chris Simpson. And our immediate reaction to it was, if when we whatever--the requirement was for 1,000 missiles, and our immediate reaction to it was that we wanted to get paid back for TOW 2. That's generally the approach we try to take on any type of transaction, FMS or diversion of that nature, attempt to get the best back for the Army. And that being the current model that we were producing at that point in time, which was TOW 2. The price at that was running right at $10,000 apiece.

Q And what was the price that you understood the Army was going to be paid for--

A The initial price that we were offered was 3149.

Q And what was the basis for that price?

A According to Major Simpson, that was the current AMDF price for the basic TOW missile.

Q AMDF is the Army master data file?

A That's correct.

Q And how would you describe the AMDF? What is it?

A It is the listing of all standard pricing for the Army that is supposed to be updated periodically and distributed worldwide to Army users. Used most efficiently, or most of the time in my experience for stock fund transactions

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where the user has to know what the price of an item is, and he goes to the Army master data file to determine what the current pricing of that item is. So it's a standard pricing document.

Q Was it your understanding that Major Simpson or someone working for him went to the AMDF and looked up a basic TOW missile price?

A Yes, sir, we were told that Major Simpson or someone on his staff or on that staff had done that. He didn't tell me personally, but he had told Colonel Lincoln that he, in fact, was some sort of an expert on the AMDF pricing. And that was the price for the missile that we had described, which was a standard TOW, basic TOW missile.

Q At what point did anyone at Redstone realize that the MOIC was going to be needed, and that that would change the price in one way or another?

A I knew immediately to get condition code A missiles of the basic type, that the only way we could get those, the only ones we had in the inventory would be through the MOIC process; those that had the MOIC, the safety modification installed. So I knew immediately that that was the vintage that we had to provide.

Q We should probably talk about some numbers here You had been told to be prepared to ship how many missiles?

A Initial requirement was for 1,000 missiles.

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Q But did you know that there would be a following requirement?

A No, sir, not initially. That was changed sometime later. But initially it was just for 1,000.

Q Now my understanding from when we talked to you before--and let me say for the record that we interviewed you on June--I'm sorry, on May 22nd, 1987. You indicated that at the time the requirement came--and correct me if I'm wrong--that you had in excess of 2300 basic TOWs in condition code alpha in usable stock at Anniston Army Depot; is that correct?

A That's correct. Something just slightly over 2300. They were there to support the annual service practice, annual training program that we have for the Army. So we did have 2300 in stock.

Q At what point then did you determine that you were going to have to go the MOIC route for additional missiles?

A As I said, that's the only vintage that existed was basic missiles with the MOIC installed. The requirement for 1,000, when we looked at asset availability, we could tell that we could readily meet that from current inventory. We were somewhat ahead of our training requirements for that fiscal year so we had sufficient assets to do that with.

Q And did Colonel Lincoln communicate that back to Major Simpson?

A Yes, he did.

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Q Now at the point at which the numbers increased from 1,000 to something higher, when was that?

A Sometime within ten days of the initial contact.

Q And what did the numbers go to?

A 4508, if I recall precisely, sir.

Q At what point did someone communicate from Redstone to DA that--it would be Major Simpson, I assume at desk log--that the price would have to increase because of the addition of the MOIC? And here I'm talking about going from 3169 to roughly 3469, estimating that a MOIC would cost about $300?

A We made some initial attempt, as I said previously, to get the TOW 2 price. I think we were told very quickly that we weren't going to get that price.

Q By whom were you told that?

A Major Simpson.

Q Told that to Colonel Lincoln?

A Yes.

Q Was there any back and forth there?

A Yes.

Q Did he have to go talk to someone, or did he immediately say--

A There was some negotiation back and forth between Colonel Lincoln and Major Simpson early with no outside intervention. We finally decided--we were told categorically that 3169 was what we were going to get. We finally then

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surfaced the MOIC issue, that that cost us about $300 a missile. And we thought as a minimum 3469 was an acceptable price, or the minimum price we could go with. And it was at that point in time that Colonel Lincoln involved our commander at Redstone, General Burbules, who had some conversations then with General Russo on the DA staff.

Q Now that's General Peter Burbules who was the commander of the Army Missile Command?

A Yes.

Q And he talked to then Major General Vincent Russo who was the assistant deputy chief of staff of logistics?

A That's correct.

Q And what do you know about the nature of that conversation?

A I know nothing of the nature of the conversation, except that the price discussion--that was what the conversation was over, was the price.

Q And who told you that such a conversation was taking place?

A Colonel Lincoln did.

Q And when you say they discussed price, did they discuss the difference between 3469 and the price of the TOW 2, or what I will call replacement cost? Or did they discuss 3469 versus a number of 8435, which we'll talk about in a minute?

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A Sir, I don't know. But I know that that information was--Colonel Lincoln, I'm sure provided that information to General Burbules as a preamble to his discussions with General Russo. But I was not party to the discussion between Colonel Lincoln and General Burbules, or to General Burbules and General Russo, so I don't know specifically what was said.

Q Now when we talked with you before you indicated that there came a point at which the price issue became moot. And I think it's fair to say that was after the Burbules-Russo conversation?

A Yes, sir, after.

Q How did this issue of mootness get communicated to you, and by whom was it communicated?

A General Burbules told us that the price that was agreed to was 3469.

Q Told us? Told Colonel Lincoln?

A Yes.

Q And Colonel Lincoln told you?

A Colonel Lincoln told me. And it was never an issue with me again in this entire exercise.

Q To say that it was never an issue again, does that mean you from that point forward didn't take note of or pay attention to any prices that may have shown up on any documents?

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A No, sir, 3469 become the price, and I saluted and

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went forward.

Q I'm going to come back to these price issues in a bit, but let me ask you about the AMDF. Is that something that you were familiar with and have used?

A I am much more familiar with it today than I was in January of 1986, I assure you. As I said, my association with the AMDF had been primarily in the stock fund area. It had been used--the extent that I knew that it had been used is when there was something--a Jeep was destroyed or something, that was the price that was used for report of survey. And really had very little workable knowledge of the AMDF, per se.

I knew that there was an AMDF price. I'd had some involvement in a previous job with the AMDF price not being properly updated and a user being charged the wrong price, but I had no intimate knowledge of the workings of the AMDF process.

Q Now help me understand something that either seems confusing or curious. And that is that you were in a position involving logistics. And as I understand the AMDF price--and correct me if this is a wrong understanding--it is like a master Army catalogue where if you want a particular item, you look it up. You see the stock number. You see a price. You use that as your basis for going forward in a logistics capacity.

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A Not necessarily. My experience with the AMDF was that it was seldom right, seldom reflective of--

Q The issue of whether it's correct or not is not my question right now, and in one sense is even irrelevant if everybody is using it. Whether it's the right data or not, it's the data that they're using.

If you didn't use the AMDF, what did you use at MICOM for making price determinations?

A I have used the AMDF, but generally I would go to the last contract price.

Q Where would you find that?

A In our procurement files.

Q If somebody called you up and asked you point blank in the January '86 time frame, what is the price of a basic TOW with a MOIC, how would you go about determining that?

A I would probably have gone to the AMDF and then rechecked the current contract price.

Q And if you went to the AMDF, what would it have told you?

A In retrospect, it would have shown me the price for that missile was currently listed at 8435.

Q And would other people with whom you worked have followed a similar course of action for making that determination?

A Yes, they would have.

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Q What about the people at Anniston Army Depot?

A I doubt that they would have. They would not have access to the procurement file. I think Anniston Army Depot would refer strictly on the AMDF for current pricing information.

Q Help me understand how this process works then. Would it have been normal for Redstone to impose a tasking or a requirement on Anniston Army Depot to be met to provide X number of TOWs or X number of something else?

A Rephrase the question again. Would it have been normal for us to--

Q Yes.

A Yes.

Q And I'm not trying to put words in your mouth, I'm trying to understand how this works. You seem to have just stated that at Anniston Army Depot they most likely would rely on the AMDF and they would go to that first?

A Yes, right.

Q And with regard to Redstone, you said you would have been more likely perhaps to go to your procurement files?

A AMDF and procurement files to determine if there was any ambiguity between the two of them.

Q At what point do the prices get reconciled, or do any ambiguities get reconciled?

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A Well, the procedure that was in process when this

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was set up was every six months we were to provide--every six months or when there was a significant change to the contract price, we were required to provide--our project was, not my office but the financial group was to provide an update into the AMDF file. We have since found out--as I'm sure you already know--that that procedure was not being religiously followed.

And there was--some updates had been provided. They were improperly priced, depending upon who you talked to. But by the DAIG's interpretation, there was some pricing in that process. But that's how the system is supposed to work.

I'd like to say that in my last testimony up here there was some discussion between you and I on whether the AMDF was updated monthly. And I said that I didn't think it was. We were both right. Distribution to the field is on a monthly basis, and it is updated to the field on a monthly basis. In our end of the business, we do not update it on a--we do not provide a renewed input on a monthly basis. And I meant to call you back to tell you that but--

Q I appreciate that because that was something that was a bit confusing to me. I asked you a few minutes ago if someone had called you in January '86 and asked you for the price of a basic TOW with MOIC how would you have gone about determining it and you said you probably would have gone to

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the AMDF. Let me ask this question. Would you have needed to go to the AMDF, or did you already know the price of a basic TOW with MOIC to be 8435?

A No, I didn't. I didn't know it, I didn't--just typically, I would know the price of the current missile that we were buying, but I would not have known the price--and we have eight or nine different vintages of missiles, and I would not have known without going to some record, what the individual price was.

Q So your best recollection and your testimony would be that without going to the AMDF, in the time frame we're looking at of January '86, you would not have known that a basic TOW with MOIC has a different price--let me withdraw that.

You would not have known that the price for a basic TOW with MOIC was 8435?

A No, I would not, without going to some records.

Q Would you have known that a basic TOW with MOIC had a different national stock number from that of a basic TOW?

A Yes, I would know that.

Q You might not have known what that stock number was?

A That's right, but I would have known that it was a different stock number.

Q Would you have known that it having a different stock number gave it a different price?

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A I would have known because of the increased price of the MOIC. But we have similar items in the inventory under different stock numbers that can carry the same price. It is possible.

Q Let me ask you about the computerized system that Redstone, and I believe Anniston Army Depot used, which you told us before has a--it's an in-house management system and the acronym is PROMIS; is that correct?

A That's an in-house system that we have in our project for internal management, yes. Anniston does not have access to the PROMIS system though.

Q They do not have access to it?

A No. It is a project oriented data management system. And as a matter of fact, the TOW project is one of the few that has it. It's being considered as a standard system for all projects. But if I said that before, it was--didn't mean to tie that into PROMIS.

There is a standard Army system that's called CCSS. I can't even tell you what that acronym stands for, but it is the standard supply system. But it is totally divorced from the PROMIS system that we have.

Q Your in-house management system, is that something that's shared at Anniston Army Depot?

A No, it is not; the PROMIS system is not. It's a type of system that tells me what sick leave usage is, and

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production status, and all those program management type activities. And Anniston would have no need for that type of data.

Q All right, I'm a bit confused. And just correct me if I have recorded something incorrectly. When we interviewed you earlier, my notes indicate that you said that the Redstone system feeds the Anniston Army Depot system.

A That would be the CCSS system.

Q And does that have pricing information in it?

A Yes, it does have pricing information.

Q Does it have stock numbers of items?

A Yes, it does.

Q And would that include the TOW?

A Yes, it does.

Q Now when you answered a question earlier and said that you thought the people at Anniston Army Depot would likely go to the AMDF to look up the price of a basic TOW with MOIC, is that something that you have reason to know they would do? Or is that your guess based on the fact that they would generally use the AMDF? Or what do you base that on?

A I don't know that, but I just--even though I say I didn't use it as a standard pricing document without double-checking with the procurement system, it is used throughout the Army as a standard system and they should have done that.

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And I also believe in my testimony before I said that I was under the impression that the CCSS system carried with it the standard pricing information, and that when you keyed this computer for a stock number, you get with it a current standard price, which one would presume is reflective of what's in the AMDF. I have not substantiated that, but I still believe that that's inherent in that system.

Q Feel free, by the way, to correct me if I did get something from you in our earlier interview incorrect because we've spent a lot of time together and I've got a lot of notes.

A If it's tied into the PROMIS system, that's incorrect, sir. PROMIS is an internal system that we've developed.

Q Was there ever any discussion of price between the depot and Redstone?

A Not to the best of my knowledge; not with myself.

Q What would have triggered the depot's responding to the request to meet this requirement? Would that have been the material release order?

A Yes.

Q Or is that simply a piece of paper that comes after some telephone discussions have been had or what?

A In this case there were some telephone discussions. There were some people that had gone to Anniston. And the

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actual MRO process was the formalization of that. Back in those--in '86, we could release by me telling material management, who controls the assets, to release 1,000 missiles. They would generate the MRO to Anniston for the release.

We have since put tighter controls on the system. We now must have a standard requisition before we can release any ammunition material--which is a good thing, by the way. Back in those days, we were not under that type of control.

Q Would there be any way under this new system to override that with something that supposedly comes down from on high as a--

A Even when it comes down from on high--and we still have them on a day to day basis for FMS and diversion requirements, special projects--we are still provided a document number and a requisition for the assets before we can release them.

Q You might want to explain for the record what you mean by a diversion because, in light of the arms sale money going to the contras, diversion has taken on a special meaning.

A Diversion is a standard term that we use. We have from time to time FMS requirements that come up and have to be satisfied in a very short term. We don't have the sufficient lead time to go procure the items, so where we

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work a process whereby we divert U.S. assets to the FMS customer. And we take the FMS money and buy back to replenish the Army stock. And that's the type of diversion that-- excuse me.

Q You never sent any missiles to the contras, did you?

A No, sir. I didn't send any to Iran.

[Laughter.]

Q I was going to get to that. But I guess for the record I should say, you personally had no knowledge that these were going to Iran?

A No, I did not. Our customer was the Army.

Q And for that matter, you had no knowledge that these were going to the CIA?

A No, sir.

Q But I believe you said you did have a suspicion because you were told they were going to [redacted] and you maybe put two and two together based on a conversation you overheard; is that correct?

A Yes, and the fact that there was a representative from the State Department escorting the first shipment. It means they aren't going to Fort Stewart, Georgia.

Q I'm going to show you some documents in a little bit. But my question now is, when did you first notice that any documents bore the price of $8,435 for the basic TOW missile?

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A To be very candid with you, sir, when this thing broke loose back in November, December of last year. When the DAIG came to Redstone and we started going through the files that we had, that was my first knowledge that the pricing was different on those documents--on the transfer documents from Anniston, it was different from what was put on the document that Major Simpson signed. I'd never noticed it.

Q Do you recall what the price figure was on the document Major Simpson signed?

A 3469. And he specifically requested that that number be put there.

Q Was there any discussion--first, let me ask who he requested that of?

A The initial document was prepared on the first shipment, and Major Simpson and myself and Mr. Williams who was deputy project--

Q That's George Williams, then the deputy--

A Yes, he was deputy project manager at that time. The three of us set down on the eve of the first shipment and negotiated, if you will, the contents of the particular document that you have record copies of.

Q And did Major Simpson say that in the box or the block for price the price should be 3469?

A Yes, sir, he did.

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Q Did anybody make an effort to tell him it should be some other price?

A It was, at that point in the game it was a moot issue with us.

Q No one raised with him that there might be a higher price that would be appropriate for a basic TOW with MOIC?

A No, sir.

Q Did he ever tell you anything which should suggest that he knew that another price might be appropriate but that either he made the decision or someone made it for him that it would be 3469?

A He never made that comment to me. I understand that he may have made some comment to Colonel Lincoln which sort of indicated that the price issue was overcome by events. That the quote--I won't say quote, but that some sort of deal had been struck and that there was no subsequent discussion on pricing.

Q Now let me explore that because you talked about that in your testimony at the DAIG. The notion that a "deal" had been struck has a different connotation to it than simply saying, a price had been agreed on, or that a particular price was the appropriate one and that had been communicated to a purchaser and they had said, fine, that's what we'll pay. And I don't want to put words in your mouth. Are you able in any way to elaborate on that statement as to what

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that might--

A No. The context of the way it came back to me was that the customer had agreed to that price, whoever the customer.

Q Was it your sense that the customer had ever been made aware that there might be a higher price more appropriate?

A One would certainly hope so. Major Simpson had certainly been made aware of it. But we had no way of knowing who he was dealing with.

Q You gave us when you met with us earlier as good or better an explanation of the safety problem that the basic TOW had as anybody has. Why don't you take a minute and tell us what the problem was with the basic TOW that necessitated the MOIC?

A In 1981 we had two incidents where the--the way the TOW missile works, it has a launch motor that literally throws it out of the tube.

Q It's really two things, a launch motor and a warhead, right?

A Yes. A launch motor and a flight motor and a warhead. A launch motor merely thrusts the missile out of the tube to a distance that clears it from the gunner. At that point in time, there is a flight motor that ignites that carries it on then to--the rest of the way to the target.

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And of course, the warhead on the front end which detonates when it hits the target.

We had two incidents wherein the missile was ejected from the launch tube by the launch motor and the flight motor failed to ignite. Which means that at a distance of somewhere between 60--well, it can vary between 40 to 60 meters--the missile hits the ground. That's about as far as the launch motor will project it. The missile tumbled then and reoriented itself. And a few seconds later, we had delayed ignition of the flight motor.

Q By reorient itself, you mean it spun around or turned around?

A Yes. No longer pointed down range, it pointed in some other direction. And it's a little bit like Russian roulette. Depending upon the direction that the missile was pointed, when the flight motor ignited, that's the way the missile flew, and sometimes flew back in the direction of the gunner.

Q And that's referred to as a flyback problem?

A Flyback, yes, sir.

Q You said we had two incidents. You mean Redstone or Army-wide?

A No, there was one in Germany at Baumholder. And then there was another one in Minnesota. And it was alleged that the Germans had one which we could never substantiate.

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But we had at least two that we knew that actually did this.

Q And what was determined to be the cause of this problem?

A After several million dollars investigation, the best we could determine was the most probable cause--because there was seldom debris left that we could analyze, and two incidents is pretty few and far between. But the best, most probable cause was determined to be a battery that was built by a manufacturer called Eureka Williams.

Q The manufacturer was Hughes Aircraft?

A No, Hughes Aircraft is the manufacturer of the missile. Their subvendor for the battery was Eureka Williams. And the probable cause was determined to be a bad bonding joint in the battery which kept the battery--and therefore kept the battery from providing the proper voltage to the flight motor. Therefore, the flight motor did not ignite.

Now as the missile hit the ground and tumbled, we felt that there was a possibility that the battery would complete its connection, provide the voltage to the flight motor, and subsequently cause it to ignite.

The other thing, there was a possibility of a thermal overheating in the battery which would do the same thing. Once it overheated, it would cause the joint to make and the battery to provide the power to the flight motor.

We did two things. First thing, we suspended all

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firings of TOW missiles until we had determined the most probable cause and a fix. Once we determined the probable cause, we immediately suspended the use of those batteries. We had two manufacturers of batteries, and both missiles that had displayed this flyback phenomenon had batteries from the same manufacturer. So we suspended the use of those batteries.

And then we developed the MOIC, missile ordnance inhibit circuit. And what this little device does, it monitors the time from launch to flight motor ignition, and that is a prescribed time frame. And if the flight motor does not ignite within a prescribed time frame, it inhibits it from every operating. And therefore, if you don't get a proper flight motor ignition, the missile will just lay on the ground and the flight motor will never ignite and you don't have a flyback.

It apparently was a satisfactory fix because we have not had an indication of this failure mode since 1981.

Q Was there an assembly line set up at Anniston Army Depot to do the modifications, putting the MOICs on the basic TOWs?

A Yes, we established that assembly line in 1983.

Q Were you personally involved in that?

A Yes, I was.

Q Which means what? That you went down to the depot

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and--

A We set a facility up at Anniston. We provided them with the tooling and the training. We bought the circuits themselves, the MOIC circuits and we provided those to the depot.

We also provided for missiles--since these missiles were being shot up in training, we pulled the oldest ones out of the inventory. We arranged a process whereby Europe and Korea would send back their oldest missiles that we could feed into this production line. We set up the entire process.

Knowing what we know about this operation, do you really think it would have made any difference if someone would have been told this thing has got a new stock number, and that new stock number AMDF price is 8435?

Q It certainly would make a difference to these committees.

A Would it have made any difference to the transaction? That's my question.

Q No, but it would have made a big difference to these committees, and that's the whole point.

A That's my point. I don't care what we offered them, or what we asked, I don't think it would have been--I think it would have been denied.

Q You were asked in the DAIG testimony, "Did we tell

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the desk log the AMDF price, 8435?

"Answer: I don't remember the conversation, but I believe we did."

You continue, "Once it was decided that we were going with missiles with MOICs on them, they also knew what the stock number was, 1512. They had access to the same AMDF as I had. The prices were there in January of '86."

Now I read that to mean, if you knew that this was a basic TOW with MOIC and it was a 1512 stock number, that you just automatically knew it was 8435. Is that an incorrect reading?

A Logic says that that is true. The same expert that gave use the 3169 out of the AMDF had access to the same stock number and the same pricing information for the new stock number.

Q You were then asked, "How do you know that they knew it was 1512?

"Answer: They told us. Chris Simpson told us--you mean that stock number 1512?

"Question: Right.

"Answer: I know that he had the stock number when he came down here to pick them up. He knew what he--I didn't keep it, but he had a handwritten copy of a 1348 with stock number and everything on it."

It's reasonable to assume if they had that stock

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number that they could have looked it up in the AMDF?

A Yes.

Q And we don't know if they did or not. But I take this testimony to mean that you were given the stock number 1512; is that right?

A Given, but we also knew what it had to be because we did, you know--or at least the command did the release document, so we had to know what that was.

Q But the stock number 1512 doesn't show up with the 3169 price, does it?

A No.

Q You were asked this question. And I'm not trying to get this on the record to point the finger of blame, but to get in the substance of your answer.

"Question: I understand you that the leadership, or the PM, the deputy didn't know that it was your fault, and I understand that."

And to your credit, I should say you made a statement to that effect just before this.

"Do you have any--do you think you told them or is it just that you cannot remember?

"Answer: I think I told them."

Would that still be your best recollection, that you told Colonel Lincoln and Mr. Williams about the 8435 price?

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A I probably didn't.

Q You think you probably did not?

A I probably didn't tell them.

Q And what in the intervening time makes you think that? And I don't know which is correct, and I don't know that--

A I don't know that it makes any difference, you know. But no one--everyone else has said that I did not, so apparently I did not.

Q I'm not asking you to base it on what other people have said. I'm trying to determine what your best recollection is.

A I don't know. But if they say I didn't, apparently I didn't.

Q You followed this with the statement, "Remember now, I had to identify these things by stock number to tell supply what I wanted the MR cut for. They had to know."

I would take it from that testimony that you had some input into the MROs; is that correct?

A I did have in that we told them specifically what to release.

Q And you told them by stock number?

A Whether I told them by stock number or told them in generic terms. As I said before, those of us that dealt in that process every day talked about an I-TOW or a basi TOW

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with MOIC. And I don't find any evidence of any documentation in any of my files on this thing that reflects that I gave them a stock number.

Q There's some further evidence of that in the next question. The questioner says--is talking about the discussions between Colonel Lincoln and General Burbules. And he's had the benefit of talking to some of these parties, and the question is this.

"The project manager got General Burbules involved. He initially stated that he didn't know the difference in stock number and AMDF. And then when we were talking about the General Burbules issue and I asked him, you know, who prepared him and what information did he prepare himself with he vaguely remembered telling or having a difference in stock number and price, the AMDF price, and providing that to General Burbules. Do you recall helping him get ready for that?

"Answer: I would have been the guy that did it."

I don't know if this helps you any. It seems to suggest that the investigators had talked to Colonel Lincoln and he had some recollection of knowing about the different stock number and the different AMDF price and passing that on to General Burbules. Does that sound right?

A I know that we had some discussion before he went. As a matter of fact, I was the one that recommended that he

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go to General Burbules. At that point in time we had handled everything in this operation strictly within the project. And I recommended that he go to General Burbules to get his endorsement.

I didn't think we could accept the pricing and go any further in this operation without getting his involvement. So yes, I prepared him for it. I don't have any record of what I gave him, and he apparently didn't keep any record of what he gave to General Burbules.

General Burbules seemed to think that he, at one time had seen a message or something on this. We were unable to substantiate that.

Q On this point of the AMDF and the national stock number?

A Yes, sir, on the whole pricing issue. But we have researched all the files at Redstone, including that he might have had as commanding general that the rest of us didn't have access to, but we were unable to locate anything.

Q You were asked a question about Major Simpson and some comments that he might have made on this price issue. And here was the question.

"Major Simpson made a comment to me"--to me being the investigator--"late Friday night, that he said all you--and he is referring to the office down here, the PM shop--had to do was tell him the price, the agency would have paid any

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price. He said that no one down here gave him any good arguments to increase the price, and no one ever gave him the different stock number or different AMDF price after the first day when all agreed on the recommendation on the nomenclature NSN and the price of the basic TOW.

"Answer: Absolutely untrue."

Is that still your testimony?

A Absolutely untrue. And if his testimony--if you would read that again. What did it say?

Q He said, "All you--referring to the office down here, the PM shop--had to do was tell him the price, the agency would have paid any price. He said that no one down here gave him any good arguments to increase the price."

A And beyond that?

Q "And no one ever gave him a different stock number or different AMDF price after the first day."

A No one ever gave him a different one. That's an absolute untruth.

Q You think that he was given a different AMDF price?

A Yes, sir, I think he was, but I can't prove it.

Q By whom, Colonel Lincoln?

A Yes, sir. But we have no proof of that.

Q Has Colonel Lincoln told you that he thought he gave--

A Yes, he absolutely does not recall. He knows he

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had several discussions with Simpson over price but doesn't recall any of the details of it.

Q There's a question here that I'm curious about because your answer seems to very quickly and readily confirm what you're asked. And they're talking about the MRO. And the questioner says, "Just for your information, you may already know this, when it was passed to Anniston verbally it included the stock number and the correct price of 8435 on the MRO."

"Answer: Well, that was the only correct verbal information passed."

Now you can read that either of a couple of ways. Either you're simply saying that if we know that they had the stock number right, then we know the price would be 8435. Or you can read it to mean, yes, you knew that that stock number was passed and that that price was passed. What would be your instructions as to how we should read that?

A Considering where it's at in the testimony, it was late and I was trying to get out of there.

Q You have no information, have no knowledge of what specifically was verbally told to Anniston on this?

A None whatsoever. As I said before, this is the first time I have seen the actual release documents. No, don't know what transpired other than that. I don't even remember being asked that question as a matter of fact.

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Q You were asked then something that I didn't go into with you and I should probably ask quickly, about the congressional limitation on the number of TOWs that can be purchased in a particular year. And the question was, "How was this limitation affected by this transfer?

"Answer: Well, the transfer didn't do anything to--well, it could have had we gotten the money in a form where we could have used it to buy back, then we would have been faced with the congressional limitation on the number of missiles I can buy per year."

Now I take that to mean exactly what it says. And that is, that last year if you'd gotten the money back--

A Fiscal '86 I had bought everything that Congress had authorized us to procure.

Q And just for the record, did you know that at the time?

A No, we did not.

Q And again for the record, would it have had any impact on readiness that you bumped up against that ceiling?

A None whatsoever. In '87, now it's a different proposition. I have a 12,000 ceiling, but I have funding for considerably less than that, so I'm below the congressional threshold and I could, in fact, increase it.

Q And a final question. You were--actually the question put to you is not that directly relevant and this

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was relayed in your testimony. But you said, and I quote, "I honestly believe--and you can make it part of the testimony if you like--that the price was dictated to us. It didn't make, excuse me, a damn what we said the price should have been, the deal had been struck."

And let me simply ask you in closing, what you mean by that?

A They watered it down considerably, I think, from what I actually said.

Q Well, on this record you can say whatever you want.

A I believe, as I think I have told you in previous testimony--and this is my personal opinion--is that Major Chris Simpson looked up the stock number for a basic TOW missile without MOIC, found 3169. I think somewhere a deal was offered. We challenged, and in the course of the challenge we eventually got around to the MOIC. And he asked, what's that worth, and we said, about $300 apiece. I believe he went back to whoever it was was working this process and said, they've got to have $300 more, and the deal was struck.

Now I honestly believe--you take all this television, and all the Tower Commission, and everything aside, I think that that's what happened. And at least the way I read the Tower Commission, it pretty much implies that; their report.

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MR. SAXON: Mr. Leachman, let me say for the record that we appreciate your being here this afternoon. You've appeared voluntarily. You've let us question you at length on two different occasions. We know you've come from out of town. We appreciate it very much and your testimony has been very helpful to the committee. Thank you.

THE WITNESS: Yes, sir.

MR. SAXON: And for the record, the CIA had a planning figure of $6,000 that they used all the way through on these missiles, so they could have paid a little more.

[Whereupon, at 4:23 p.m., the taking of the deposition was concluded.]

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CERTIFICATE OF NOTARY PUBLIC

I, PAMELA BRIGGLE, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by the witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of the action.

_____

PAMELA BRIGGLE

Notary Public in and for the

District of Columbia

My Commission expires May 14, 1990.

UNCLASSIFIED

UNCLASSIFIED

28 JUNE 86

REQUEST FOR SUPPLY ACTION

THRU: DRSMI – _____
DRSMI – _____
TO: DRSMI – _____

FROM: DRSMI – L. [illegible]-L
ITEM MANAGER'S ANAL-CD A44
DATE: 21 Jan 86
PHONE: 4-4815

REQUIREMENT IDENT	ROUTING IDENT	MAS	NATIONAL STOCK NUMBER	UNIT OF ISSUE	QUANTITY
jdA	0L4	d	1410-01-139-5122	EA	0001
cc 1–3	cc 4–6	cc 7	cc 8–22	cc 23–24	cc 25–29

DOCUMENT NUMBER: REQUISITIONER	DATE	SERIAL	DIV and CODE	SUPPLEMENTARY ADDRESS (Ship To)	SIG CODE	FUND CODE	DIST CODE	PROJECT CODE	PRIORITY CODE
W31G3N	6128	D017		W31E3E	M	1FA			02
cc 30–35	cc 36–39	cc 40–43	cc 44	cc 45–50	cc 51	cc 52–53	cc 54–56	cc 57–59	cc 60–61

REQ. DEL. DATE	ADVICE CODE	DEPOT REC FROM	PURP. CODE	COND. CODE
029		EAD	A	A
cc 62–64	cc 65–66	cc 67–69	cc 70	cc 71

PURP. CD. TO	EDIT ACTION		ANAL. CODE (DRSM–SO)
D	A7		
cc 72	cc 73	cc 74–75	cc 76–77	cc 78–80

IN–THE–CLEAR ADDRESS (Ship To)

Declassified/Released on 11FEB88
under provisions of E.O. 12356
By K. Johnson, National Security Council

ADDITIONAL INFORMATION

UNIT PRICE $8935

EXCEPTION DATA
☐ APPROVED
☐ DISAPPROVED

JUSTIFICATION FOR TELEPHONE IPD 01–08 MRO (CHECK APPROPRIATE BLOCK)

☐ NECESSARY TO MEET SCHEDULED DEPARTURE DATE OF A VESSEL OR OTHER CARRIER.
☐ NECESSARY TO MEET SCHEDULED DEPLOYMENT DATE FOR AN OPERATION FORCE.
☐ NECESSARY TO MEET FIRM COMMITMENT FOR DELIVERY OF MATERIEL TO A COUNTRY PARTICIPATING IN INTERNATIONAL LOGISTICS PROGRAMS WHERE IT IS NECESSARY TO MEET A COMMITMENT DT.
☐ EMERGENCY REQUIREMENTS FOR MEDICAL AND DISASTER SUPPLIES.
☐ REQUISITION CONTAINS PRIORITY 01–08 IN COLUMNS 60–61 AND CODE 999 IN CARD COLUMNS 62–64.

☐ APPROVED ☐ DISAPPROVED

☐ OFF–LINE | MATERIEL ON RECORDS: ☑ DEPOT ☐ MROOM | DEPOT CONTACT: [illegible] | PHONE–EXT. 4713

NOTE: PRIORITIES 01 THRU 08 WILL BE ROUTED THRU DRSM–SO TO DRSM–SO.
PRIORITIES 09 THRU 15 WILL BE ROUTED DIRECTLY TO DRSM–EDC.

ASSIGNED PRIORITY:
☐ APPROVED
☐ DISAPPROVED

DATE	SIGNATURE OF APPROVING AUTHORITY
28 Jan 86	5401

DRSM–4 FORM 466, 1 AUG 77 PREVIOUS EDITION IS OBSOLETE.

EXHIBIT P-5 - [illegible]

UNCLASSIFIED

DEPOSITION EXHIBIT
#1
9/21/87

16 MAY 84

UNCLASSIFIED

2d Shipment

D 9251 (2)

2 DW

REQUEST FOR SUPPLY ACTION

THRU /DRSMI - LC-AM-L
/DRSMI - LC-AM
TO /DRSMI - LC-AM-PC

FROM: DRSMI - LC-AP-LST
ITEM MANAGER'S ANAL-CD MHH

DATE 16 MAY 84
PHONE 746-4585

PRIORITY	REQUIRED DELIVERY DATE	SUPPLY SOURCE	NSN	NATIONAL STOCK NUMBER	UNIT OF ISSUE	QUANTITY
99	164	4	1410-01-139-5512	EA	0058

REQUISITIONER	DOCUMENT NUMBER DATE	DOCUMENT NUMBER SERIAL	CC and CODE	SUPPLEMENTARY ADDRESS (Ship To)	BG CODE	FUND CODE	DIST CODE	PROJECT CODE	PRIORITY CODE
W31G3H	6136	D010		W31E36	M	EA			03

REQ DEL DATE	ADVICE CODE	DEPOT RIC FROM	PURP. CODE	COND. CODE
139		EAD	A	N

PURP. CD TO	EDIT ACTION		ANAL. CODE (DRSMI-SD)
	A7		

IN-THE-CLEAR ADDRESS (Ship To)

Declassified/Released on 11 FEB 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

ADDITIONAL INFORMATION

UNIT PRICE $84.35

EXCEPTION DATA
☐ APPROVED
☐ DISAPPROVED

JUSTIFICATION FOR TELEPHONE (PD 01-09 MRQ (CHECK APPROPRIATE BLOCK)

☐ NECESSARY TO MEET SCHEDULED DEPARTURE [illegible] OF A VESSEL OR OTHER CARRIER.
☒ NECESSARY TO MEET SCHEDULED DEPLOYMENT [illegible] FOR AN OPERATION FORCE.
☐ NECESSARY TO MEET FIRM COMMITMENT FOR DELIVERY OF MATERIEL TO A COUNTRY PARTICIPATING IN INTERNATIONAL LOGISTICS PROGRAMS WHERE IT IS NECESSARY TO MEET A COMMITMENT DT.
☐ EMERGENCY REQUIREMENTS FOR MEDICAL AND [illegible] SUPPLIES
☐ REQUISITION [illegible] PRIORITY 01-03 IN [illegible] AND CODE 999 IN CARD COLUMNS 82-84

5402

☐ DISAPPROVED

☑ OFF-LINE ☐ MESSAGE ☐ DEPOT ☐ [illegible] DEPOT CONTACT: Liz A Callahan PHONE-DAT: 694-4315

NOTE: PRIORITIES 01 THRU 08 WILL BE ROUTED THRU DRSMI-SS TO DRSMI-SD.
PRIORITIES 09 THRU 15 WILL BE ROUTED DIRECTLY TO DRSMI-SDC.

ASSIGNED PRIORITY:
☑ APPROVED
☐ DISAPPROVED

DATE | SIGNATURE OF APPROVING AUTHORITY

Dan Lee Chi

2

DEPOSITION EXHIBIT #2

DRSMI 4 FORM 486, 1 AUG 77 PREVIOUS EDITION IS OBSOLETE

EXHIBIT P-17

UNCLASSIFIED

UNCLASSIFIED

28 Oct 86
Shipment 3

REQUEST FOR SUPPLY ACTION D 9257

THRU: DRSMI –
DRSMI –
TO: DRSMI –

FROM: DRSMI –
ITEM MANAGER'S ANAL-CD

DATE:
PHONE:

HIGH DIST CODE	ROUTING IDENT	MILS	NATIONAL STOCK NUMBER	UNIT OF ISSUE	QUANTITY
			1410-01-047-0307	EA	66
cc 1-3	cc 4-6	cc 7	cc 8-22	cc 23-24	cc 25-29

DOCUMENT NUMBER: REQUISITIONER	DATE	SERIAL	DIST CODE	SUPPLEMENTARY ADDRESS (Ship To)	SIG CODE	FUND CODE	DIST CODE	PROJECT CODE	PRIORITY CODE
W31G3H	303	DAA1		W31G36	M	A			
cc 31-35	cc 36-39	cc 40-43	cc 44	cc 45-50	cc 51	cc 52-53	cc 54-56	cc 57-59	cc 60-61

REQ. DEL. DATE	ADVICE CODE	DEPOT REC FROM	PURP. CODE	COND. CODE
307		BAT	A	N
cc 62-64	cc 65-66	cc 67-69	cc 70	cc 71

	PURP. CD TO	EDIT ACTION		ANAL. CODE (DRSM-SO)
			PP	
cc 72	cc 73	cc 74-75	cc 76-77	cc 78-80

SHIP-THE-CLEAR ADDRESS (Ship To)

Material To Be Shipped To ANNISTON
AT Red Stone ARSENAL, AL NLT 1400 hrs
F6307. BC at Redstone is Frank
Collier AV: 746-5701/4185 or Chuck
Cowald AV: 746-4045/7609. The P
Instructions SAME AS THOSE APPLIED TO

ADDITIONAL INFORMATION

Declassified/Released on 11 FEB 88
under provisions of E.O. 12356
by Nat'l Security Council

Should this get –

UNIT PRICE 1764

EXCEPTION DATA
☐ APPROVED
☐ DISAPPROVED

JUSTIFICATION FOR TELEPHONE (PD 01-05 MRD (CHECK APPROPRIATE BLOCK)

☐ NECESSARY TO MEET SCHEDULED DEPARTURE DATE OF A VESSEL OR OTHER CARRIER.
☐ NECESSARY TO MEET SCHEDULED DEPLOYMENT DATE FOR AN OPERATION FORCE.
☐ NECESSARY TO MEET FIRM COMMITMENT FOR DELIVERY OF MATERIEL TO A COUNTRY PARTICIPATING IN INTERNATIONAL LOGISTICS PROGRAMS WHERE IT IS NECESSARY TO MEET A COMMITMENT DT.
☐ EMERGENCY REQUIREMENTS FOR MEDICAL AND DISASTER SUPPLIES.
☐ REQUISITION CONTAINS PRIORITY 01-03 IN COLUMNS 60-61 AND CODE 999 IN CARD COLUMNS 62-64.

5403

☑ APPROVED ☐ DISAPPROVED

☐ OFF-LINE	MATERIEL ON RECORDS ☐ DEPOT ☐ MROOM	DEPOT CONTACT:	PHONE-EXT.

NOTE: PRIORITIES 01 THRU 08 WILL BE ROUTED THRU DRSM-SO TO DRSM-SDC.
PRIORITIES 09 THRU 15 WILL BE ROUTED DIRECTLY TO DRSM-SDC.

ASSIGNED PRIORITY:
☑ APPROVED
☐ DISAPPROVED

DATE	SIGNATURE OF APPROVING AUTHORITY

3

DRSM-6 FORM 466, 1 AUG 77 PREVIOUS EDITION IS OBSOLETE

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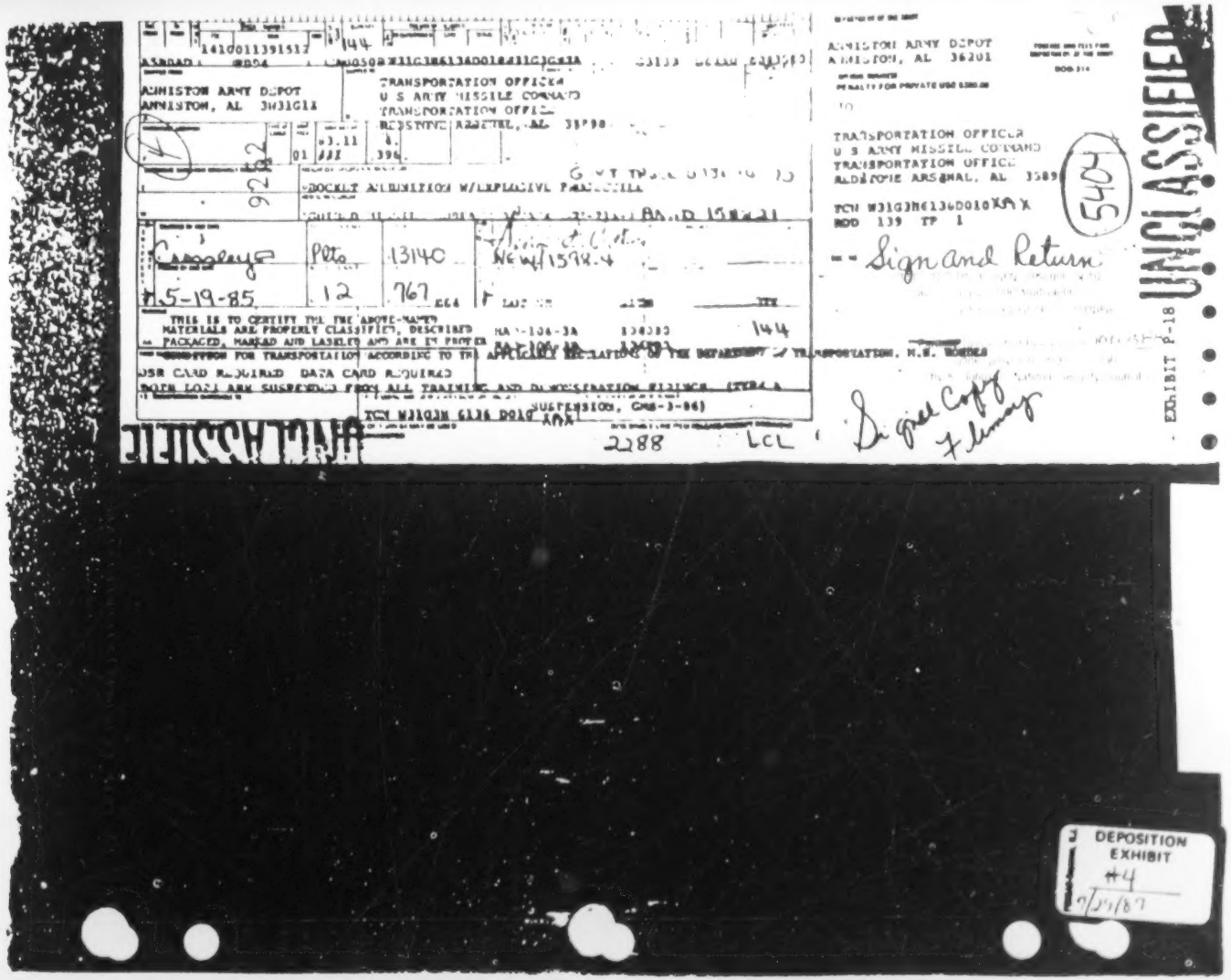
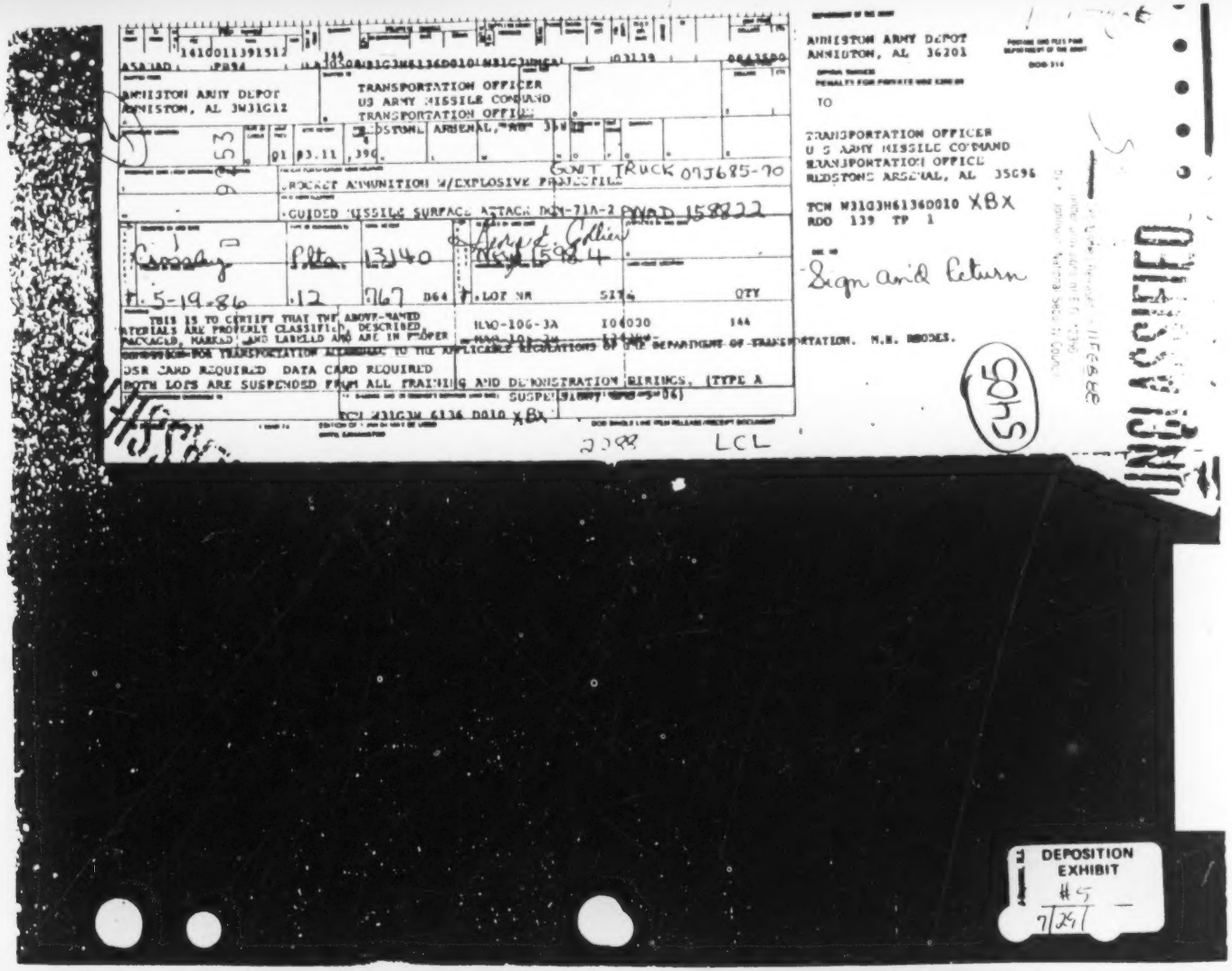
P-20

DEPOSITION EXHIBIT # 3
7/12/89


ANNISTON ARMY DEPOT
ANNISTON, AL 36201
TRANSPORTATION OFFICER
U S ARMY MISSILE COMMAND
TRANSPORTATION OFFICE
REDSTONE ARSENAL, AL 35898
ROCKET ALUMINIZED W/EXPLOSIVE PROJECTILE
Sign and Return
UNCLASSIFIED
EXHIBIT P-18
DEPOSITION EXHIBIT
#4
9/24/87



ANNISTON ARMY DEPOT
ANNISTON, AL 36201

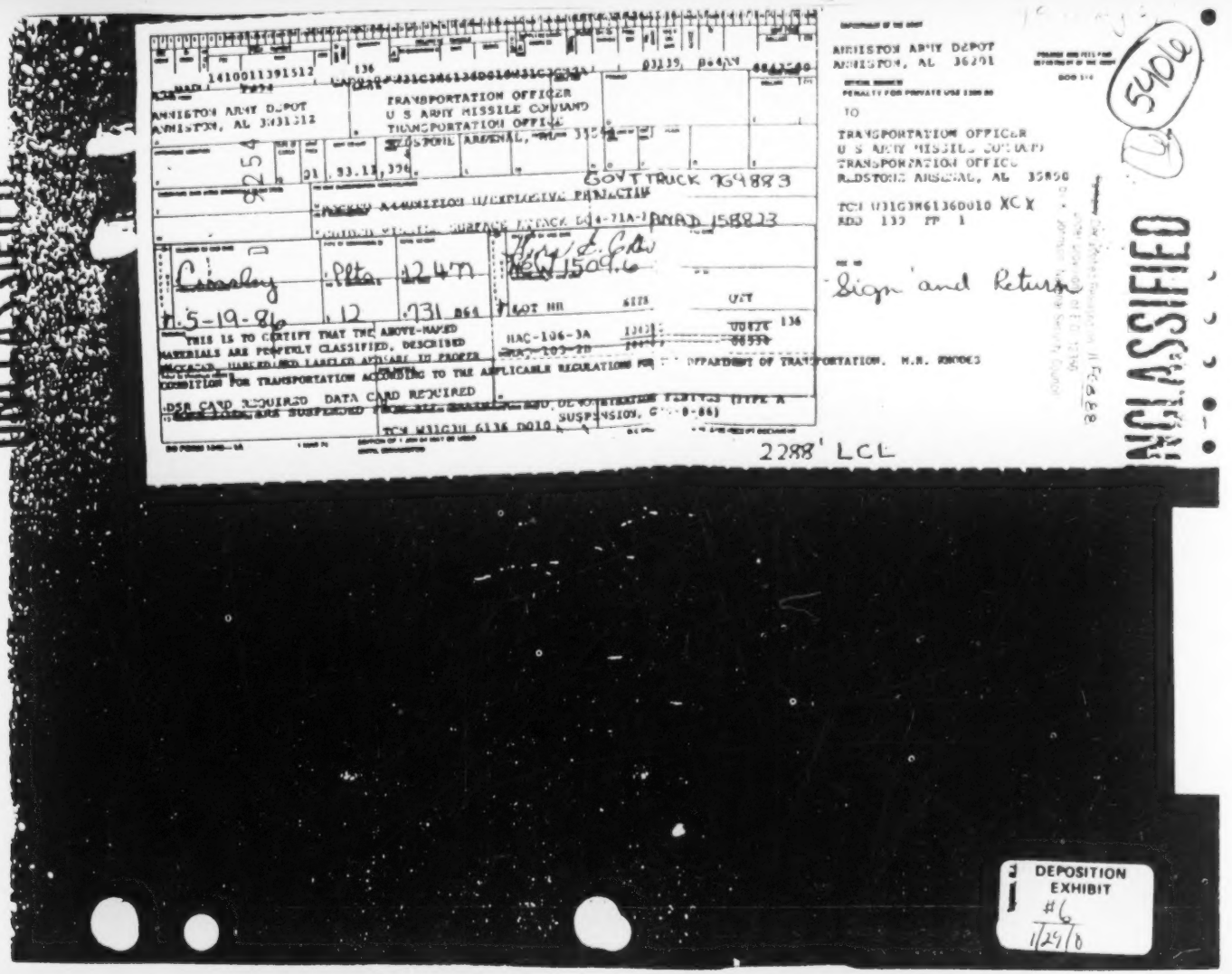
TO

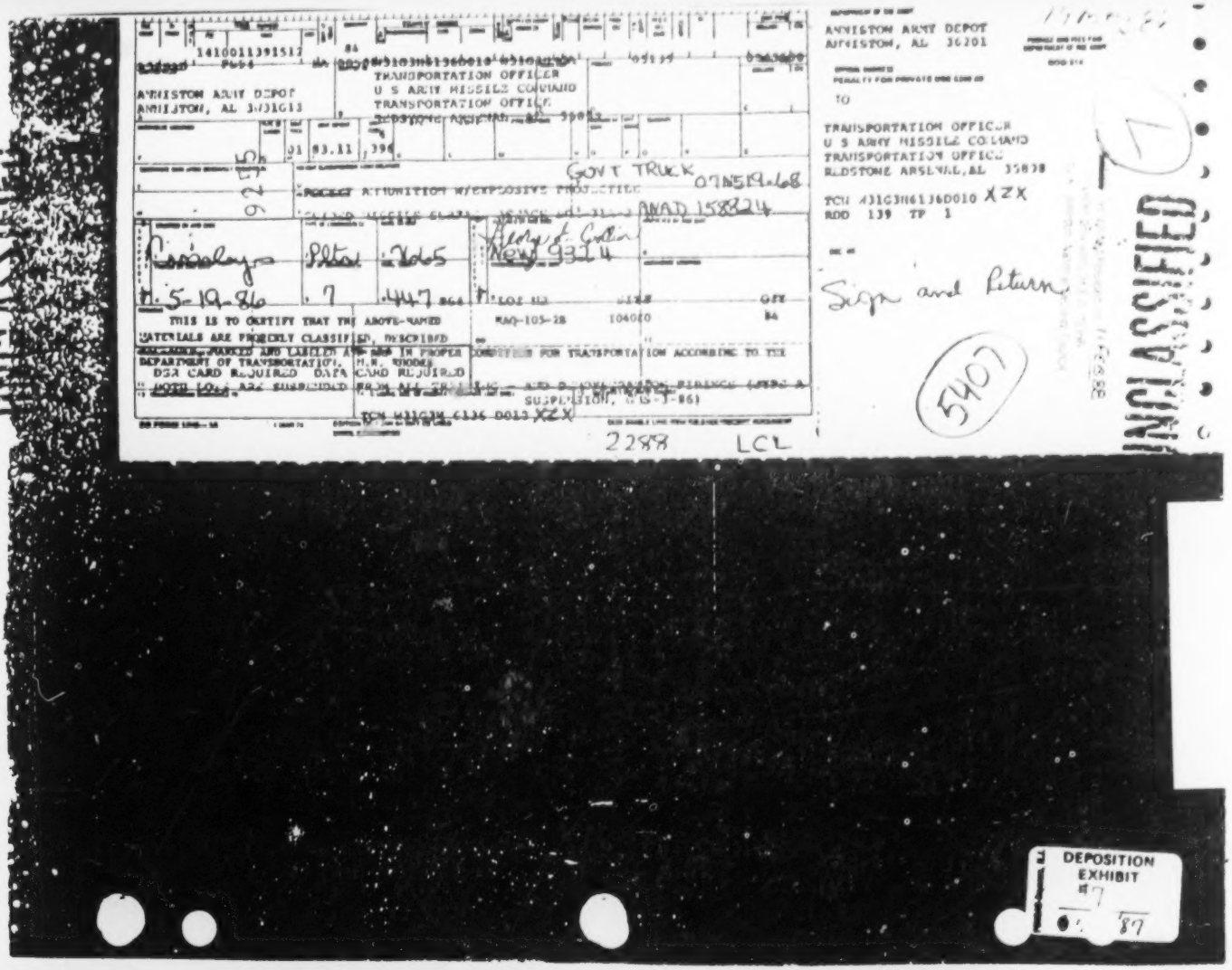
TRANSPORTATION OFFICER
U S ARMY MISSILE COMMAND
TRANSPORTATION OFFICE
REDSTONE ARSENAL, AL 35898

TCN W31G3H61360010 XBX
RDO 139 TP 1

Sign and Return

ANNISTON ARMY DEPOT
ANNISTON, AL 36201
TRANSPORTATION OFFICER
US ARMY MISSILE COMMAND
TRANSPORTATION OFFICE
REDSTONE ARSENAL, AL 35898
GOVT TRUCK 09J685-70
ROCKET AMMUNITION W/EXPLOSIVE PROJECTILE
GUIDED MISSILE SURFACE ATTACK MIM-71A-2 DODAD 158822
Sergeant Golden
Sergeant
Flta.
13140
5984
5-19-86
12
767
D64
LOT NR
SIZE
QTY
ILNO-106-3A
100030
144
THIS IS TO CERTIFY THAT THE ABOVE-NAMED MATERIALS ARE PROPERLY CLASSIFIED, DESCRIBED, PACKAGED, MARKED AND LABELED AND ARE IN PROPER CONDITION FOR TRANSPORTATION ACCORDING TO THE APPLICABLE REGULATIONS OF THE DEPARTMENT OF TRANSPORTATION. M.E. RHODES.
DSR CARD REQUIRED DATA CARD REQUIRED
BOTH LOTS ARE SUSPENDED FROM ALL TRAINING AND DEMONSTRATION FIRINGS. (TYPE A
SUSPENSION 5-19-86)
TCN W31G3H 6136 D010 XBX
2288
LCL
5405
DEPOSITION EXHIBIT
#5
7/21


UNCLASSIFIED
ANNISTON ARMY DEPOT
ANNISTON, AL 36201
TO
TRANSPORTATION OFFICER
U S ARMY MISSILE COMMAND
TRANSPORTATION OFFICE
REDSTONE ARSENAL, AL 35898
Sign and Return
SUBJECT
GOVT TRUCK 69883
2288' LCL
DEPOSITION EXHIBIT
#6
1/29/0


UNCLASSIFIED
ANNISTON ARMY DEPOT
ANNISTON, AL 36201
TO
TRANSPORTATION OFFICER
U S ARMY MISSILE COMMAND
TRANSPORTATION OFFICE
REDSTONE ARSENAL, AL 35898
TCN J11G3H61J6D010 XZX
RDD 139 TP 1
Sign and Return
5407
TRANSPORTATION OFFICER
U S ARMY MISSILE COMMAND
TRANSPORTATION OFFICE
GOVT TRUCK
07N5K9.68
PROJECT ATTONITION W/EXPOSIVE PROJECTILE
ANAD 158824
THIS IS TO CERTIFY THAT THE ABOVE-NAMED
MATERIALS ARE PROPERLY CLASSIFIED, DESCRIBED
DEPARTMENT OF TRANSPORTATION, M.R. RHODES
DSA CARD REQUIRED
2288 LCL
UNCLASSIFIED
DEPOSITION EXHIBIT
#7

UNCLASSIFIED

D 9259

ROCKET AMMUNITION W/EXPLOSIVE PROJECTILE CLASS A

GM SURFACE ATTACK DCM-71A1 GOVT TRNSP 07160D

CHARGLET PLTN 13140 12 707 LOT NR SITE OTT

RAD-1144-1

ARMISTON ARMY DEPOT
ARMISTON, AL 36201

TO:

USA MISSILE COMMAND
INSTALLATION SUPPLY ACT ACCT
REDSTONE ARSENAL, AL 35898-5000

TCN W31CJH03D0001 KAX
EP 1 RDD 307
DOCUMENT NO. 1300

Sign and Return

5408
P-22

3 NOV 86

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DEPOSITION EXHIBIT #8

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under provisions of E.O. 12356
by K. Johnson National Security Council

3 Nov 86

D 9260

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Unclassified/Released on 11FEB88
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K. Johnson, National Security Council

DEPOSITION EXHIBIT
#1
11/21/

5409

Sign and Return.

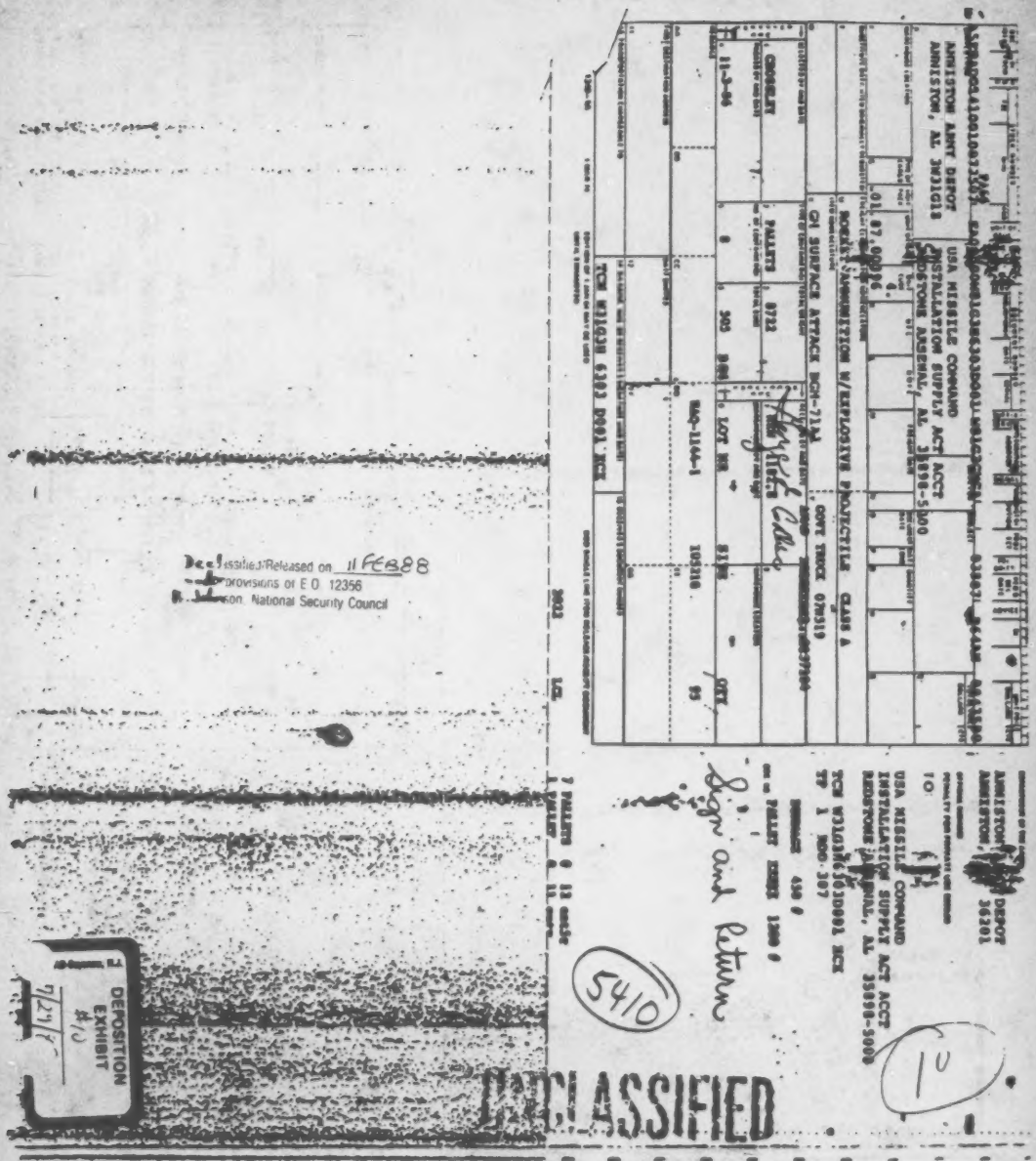
19

UNCLASSIFIED

3 NOV 86

D 9261

UNCLASSIFIED



Declassified/Released on 11 FEB 88
under provisions of E.O. 12356
by [illegible], National Security Council

DEPOSITION EXHIBIT #10 7/24/87

Sign and Return

5410

10

UNCLASSIFIED

3 NOV 86
u 9262

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DEPOSITION EXHIBIT
411

Sign and Return

5411

(11)

UNCLASSIFIED

UNCLASSIFIED

26 JAN 86

SAAAD 141001139151S2 154 EA 01000,W31CXM,6028,D017,W31CYE,KCA 03 029 B44AA

W31CXE ANNISTON ARMY DEPOT ANNISTON, AL

RED STONE ARSENAL REDSTONE, AL

LOPERSENKENKEN

SECRET AMMUNITION W/EXPLOSIVE PROJECTILE

CLASS A EXPLOSIVE

ITEM NO	STCK	QTY
M409-118-2	1430	50
M10-124-3A	2401	104

THIS IS TO CERTIFY THAT THE ABOVE NAMED MATERIALS ARE PROPERLY CLASSIFIED, DESCRIBED, PACKAGED, MARKED AND LABELED AND ARE IN PROPER CONDITION FOR TRANSPORTATION ACCORDING TO THE APPLICABLE REGULATIONS OF THE DEPARTMENT OF TRANSPORTATION. NO. OF PACKAGES

W31CXM 6028 D017 XFX

ANNISTON ARMY DEPOT
ANNISTON, AL 36201

TO

W31CXM 6028 D017 XFX
RDO 029 TP 1

REDSTONE ARSENAL, AL

Sign and Return

(12)

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DEPOSITION EXHIBIT #12

542

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28 JAN 52

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by K. Johnson, National Security Council

ANNISTON ARMY DEPT
ANNISTON, AL 36201

TO
W31GM 6038 0017 YZX
RDD 025 TP 1
REDSTONE ARSENAL, AL

Sign and Return

5413

13

DEPOSITION EXHIBIT M 13

UNCLASSIFIED

28 JAN 64

Ex. # 14

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ANNISTON ARMY DEPOT
ANNISTON, AL 36201

TO

W31G3M 6025 D017 XAK
RDD 029 TP I

REDSTONE ARSENAL, AL

Sign and Return

(14)

5414

UNCLASSIFIED

Ex. #15

UNCLASSIFIED

28 June 6

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under provisions of E.O. 12356
by K. [illegible] Council

[illegible] 1500013981512 PA 1000 W263M 6028 D017 W263M PA1 Q3 029 B644A

REDSTONE ARSENAL
[illegible]
ALABAMA 35

[illegible]
ROCKET ASSEMBLY W/EXPLOSIVE PROJECTILE
CLASS A EXPLOSIVE

[illegible]

SHIPPER'S CERTIFICATION
THIS IS TO CERTIFY THAT THE ABOVE NAMED MATERIALS ARE PROPERLY CLASSIFIED, DESCRIBED, PACKAGED MARKED AND LABELED AND ARE IN PROPER CONDITION FOR TRANSPORTATION ACCORDING TO THE APPLICABLE REGULATIONS OF THE DEPARTMENT OF TRANSPORTATION.
M. N. HODGES

[illegible] 6028 D017 XBX

LOT NO. [illegible] SITE 077

1001-106-2A 400 109

[illegible]

[illegible]

[illegible]

28 JAN 65

Ex. #16

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by K. Johnson National Security Council

UNCLASSIFIED

Ex #17

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28 JAN 86

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under provisions of E.O. 12958
by K. Johnson, National ... Council

ASARCO [illegible] 9934

FAO1000 W31GM6 6028 D017 W31GM7A GB

RED STONE ARSENAL
REDSTONE, AL

ARMISTEAD AAP NO 1
ARMISTEAD AAP DEPOT
ANNISTON, AL 36201

03 028 244 AA

ROCKET ASSIST W/EXPLOSIVE PROJECTILE
CLASS A EXPLOSIVES
CUFIDO USC SUB ATK 65-711-3

LOT NR ——— SITE ——— OTT

SELECT CORE A 86A STOCK

TSAO-126-1A 1707 134

THIS IS TO CERTIFY THAT THE ABOVE-NAMED MATERIALS ARE PROPERLY CLASSIFIED, DESCRIBED, PACKAGED MARKED AND LABELED AND ARE IN PROPER CONDITION FOR TRANSPORTATION ACCORDING TO THE APPLICABLE REGULATIONS OF THE DEPARTMENT OF TRANSPORTATION. H.M. RHODES

W31GM 6028 D017 XDX

PENALTY FOR PRIVATE USE $300

TO

W31GM 6028 D017 XDX

RDO 029 TT 1

REDSTONE ARSENAL, AL

Sign and Return

541

17

UNCLASSIFIED

Ex. #18

UNCLASSIFIED

25 JAN 88

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under provisions of E.O 12356
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ANISTON ARMY DEPOT
ANNISTON, AL 36201

TO

W31G3R 6028 B017 XFX

RDD 029 TP 1

REDSTONE ARSENAL, AL

Sign and Return

5418

UNCLASSIFIED

AMMUNITION SHIPMENT PLANNING WORKSHEET — PAGE 01 — Z590XX04940

SERIAL NO 6J0827 N SEQ P6031 — TO 86030 — DATE TO STG 86029 — SPLC 4713563 GBLOC FIAM B
ITEM WEIGH 6028 DC12XX — DOT LABEL EXPLOSIVE A — FLASH PT
CON 029 — IP 1 — DOT PLACARD EXPLOSIVE A — DOT PERMIT
SHIP TO ANNISTON ARMY DEPOT TGA — DOT CLASS CLASS A EXPLOSIVES — CG CLASS X-6
ANNISTON,ALABAMA 36201-5 — R M GRAZIANO — MIL AIR 5-55
FIRE FIGHT INSTR GP 4 — TRANSIT IN STG
OUTLOAD DNG NO — PSC 2 — SHIP DOD 5100.76A
RELEASE REQ NO — RELEASE NO
TYPE SIZE EQUIP ORD — FURNISH
CARRIER INITIAL AND SERIAL NO — DATE
PALLET WT — DUN WT — WT
CONEX WT — SEAL NO — HOLD DELAY

SHIP TO: TRANSPORTATION OFFICER
US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL, ALABAMA 35898

BRP ADDRESS
W31P3B
US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL AL 35898

DOT MATERIAL MARKING DESCRIPTION — VEH PLACARDED — FULL — FUND — GBL
ROCKET AMMUNITION W/EXPLOSIVE PROJE — UP EXP WT 11.0 — UP QTY 00001 — WT 89.00 — CU 4.800
CEILE CLASS A EXPLOSIVE — UPK/PAL — PW — PC

DOCUMENT NUMBER	STOCK NUMBER	REC	SHIP QUANTITY	CC N	TOTAL PRICE	EXT WT	EXT CUBE	ST/COMP	COLOR CORNER MARK
W31G3H602R0017	1410-11391512	PR94	0001000	A	8935000.00	89000.00	4800.000	E	YELLOW MISSILE

NOMENCLATURE — MILEAGE FACTOR 0100 — U/I EA — PALLET DIM 00.00 00.00 00.00
DODIC PSL SUP AIR RCM-71A-2 — # PKG SIZE 04.00 01.00 01.00
UNIT ITEM DESCRIPTION PROPELLANTS CLASS A — UFC 69093 — SCIC — P QUANTITY DISTANCE CLASS 1.1

FLIMSY LINE NO	LOT NUMBER	INSP DATE	LOT QUANTITY	LOT EXP WT	SITE LOC	RESTRICTION NUMBERS	PKG NO	TOTAL PKG	TYPE PKG	WEIGHT	CUBE
001	M30-120-19		0000064	704.0	108070						

FLIMSY QTY 0000064
SHIP UNIT 0000064 704.0

PROJECT DESCRIPTION

CARRIER RELEASE APPROVAL

*W31G3H602R0017XXX*W31G3G*1*00290*

ITEM CONT NO * SHIP SLMDEV*AUD*PRD*POD* PE IP * TCN * ADD *P*RDD*PDD* DS *ET* TAC* PIECES * WEIGHT * CUBE *AD*

OFFICE FROM SERVICEABLE STOCK
WITH CORRECT & ELIGIBLE MARKINGS.
PACK, BAND, PALLETIZE, TAG &
FORWARD AS REQUIRED. ( )

ADMINISTRATIVE CLEARANCE
NO INSPECTION CONDUCTED. ( )

SURVEILLANCE CLEARANCE
SUSP. ARMY ( ) NAVY ( ) AF ( )
CONDITION CODE-
DATE-

SIGNATURE

REMARKS

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by K. Johnson, National Security Council

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Paperwork Typed

5419

20 JAN 86

930

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Declassified/Released on 11 FEB 98
ARMISTON ARMY DEPOT, EGAD
ANNISTON, ALABAMA 36201-5021
TRANSPORTATION OFFICER
ANNISTON ARMY DEPOT
ANNISTON, ALABAMA 36201
US ARMY MISSILE COMMAND
REDSTONE ARSENAL AL 35898
UNCLASSIFIED

HAS REQUIRED — AMMUNITION SHIPMENT PLANNING WORKSHEET — PAGE 01 — 7540X004940

SERIAL NO 6J0R72 N STD 86030 — TO 86030 — DATE TO STG 86029 — SPEC 471356 — GBLOC FIAN 9
TCN W31G3H_6028 0017XCX — DOT LABEL EXPLOSIVE A — FLASH PT
RDD 029 — IP 1 — DOT PLACARD EXPLOSIVE A — DOT PERMIT
W31GLZ ANNISTON ARMY DEPOT FGA — DOT CLASS CLASS A EXPLOSIVES — CG CLASS X-C
ANNISTON,ALABAMA 36201-5 — R M GRAZIANO — MIL AIR 5-55
FIRE FIGHT INSTR GP 4 — TRANSIT IN STG
OUTLOAD DMG NO — PSC 2 — SHIP DOD 5100.76M
RELEASE REQ NO — RELEASE NO
TYPE SIZE EQUIP ORD — FURNISH
CARRIER INITIAL AND SERIAL NO — DATE
PALLET WT — DUN WT — WT
CONEX WT — SEAL NO — HOLD DELAY

W31GSE TRANSPORTATION OFFICER
US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL, ALABAMA 35898

DOP ADDRESS
W31P3B
US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL AL 35898

DOT MATERIAL MARKING DESCRIPTION — VEH PLACARDED — FULL — FUND — CAL
ROCKET AMMUNITION W/EXPLOSIVE PROJE — UP EXP WT 11.0 — UP QTY 00001 WT 89.00 CU 4.8[illegible]
CTILE CLASS A EXPLOSIVE — UPK/PAL — PW — PC

DOCUMENT NUMBER	STOCK NUMBER	RIC	SHIP QUANTITY	CC R	TOTAL PRIC	EXT WT	EXT CUBE	ST/COMP	COLOR CORNER MARK
W31G3H6028D017	1340011371517	F996	864 00001000	A	8435000.00	89000.00	4800.000	1	YELLOW MISSILE

NOMENCLATURE — MILEAGE FACTOR 0100 — U/I EA — PALLET DIM 00.00 00.00 00.00 — U PKG SIZE 04.80 01.33 [illegible]

GUIDED MSL SUR AIR ESM-71A-2

SPEC OPERATION DESCRIPTION PROPELLANTS CLASS A — UFC 60093 — SCIC — P QUANTITY DISTANCE CLASS 1.1

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	HAC-126-1A	0000	0000207	2277.0	108070						
	FLIMSY QTY		0000312								
	SHIP UNIT		0000312	3432.0							

PROJECT DESCRIPTION

CARRIER RELEASE APPROVAL

ORIG*	CONT NO	* SHIP *	QTY/PAL	UP/PE	OPUP	MP	IP *	TCN	* ADD *	OPORD	OPUP	DS	REF	TAC	PIECES	* WEIGHT *	CUBE	* A
								W31G3H6028D017XCX	W31G3C	140200								

SELECT FROM SERVICEABLE STOCK WITH CORRECT & LEGIBLE MARKINGS. MARK, BAND, PALLETIZE, TAG & PLACARD AS REQUIRED. ( )

ADMINISTRATIVE CLEARANCE
NO INSPECTION CONDUCTED. ( )

SURVEILLANCE CLEARANCE
SUSP. ARMY ( ) NAVY ( ) AF ( )
CONDITION CODE -
DATE -
SIGNATURE -
REMARKS -

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AMMUNITION AND EXPLOSIVES SHIPPER'S DECLARATION

PAGE 1

DATE

SPEC 4711356, CHEMICAL AGENT M

FLASH PT

DOT PERMIT

DOT LABEL EXPLOSIVE A

DOT PLACARD EXPLOSIVE A

DOT CLASS CLASS A EXPLOSIVES MIL AIR T-55

FG CLASS T-E

O M GRADELAND

LINE LIGHT INSTR GP A TRANSIT IM STG

PSC 2 SHIP DOD STOCK ZSM

BUILD DOC NO

RELEASE NO

RELEASE NO FURNISH

PLCASS REG NO

TYPE SIZE EQUIP DOC

CARRIER INITIAL AND SERIAL NO

DATE

MOUNTING ARSENAL AL 15899

PALLET WT

GWP WT

WT

SEAL NO

FUEL FUND

HOLD DELAY

CONTR WT

CBL

ROCKET AMMUNITION W/EXPLOSIVE PROJE UP EXP WT

GWP/PAL

PC

CELLS CLASS A EXPLOSIVE

SHIP

TOTAL

EXT WT

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SIZE/CHAR

COLOR CORREC MARK

PRICE

CC M

QUANTITY

LOT

SITE

PKG

PKG

TOTAL

TYPE

WEIGHT

CUBE

NUMBERS

NO

PKG

PKG

FACTORY

LOT

EXP WT

LOC

RESTRICTION

MISSILE

PROJECT DESCRIPTION

ADMINISTRATIVE CLEARANCE

SURVEILLANCE CLEARANCE

NO INSPECTION CONDUCTED.

SUSP: ARMY ( ) NAVY ( ) AF ( )

CONDITION CODE-

DATE-

SIGNATURE

REMARKS

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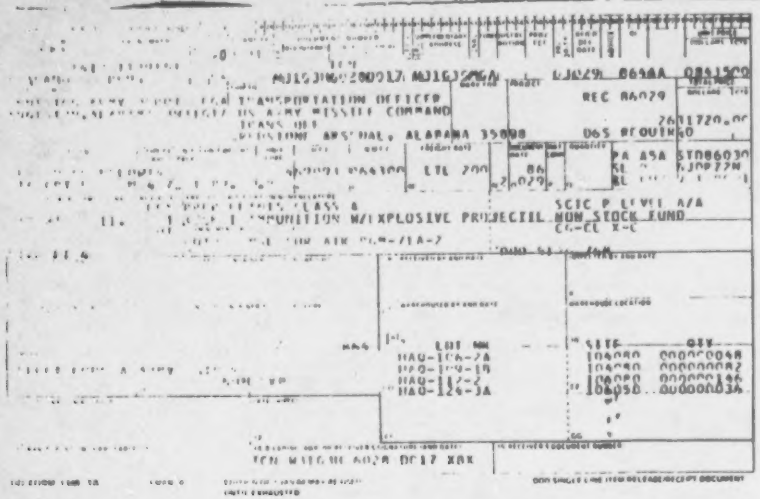

ANNISTON ARMY DEPOT FEAD
ANNISTON,ALABAMA 36201-5021

TO: APK-FOR W31G3C

TCN W31G3H 6028 0017 XBX
RDD 029 TP 1

US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL AL 35898

A5A 86030 86330 6408T2W 901 0010002
EXT WT 27768.00 EXT CU 1497.600

TTTT PPPP I A M M 000
P P I A A MM MM 0 0
P P I AAAAA M M M 0 0
PPPP I A A M M 0 0
P I A A M M 0 0
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DAS REQUIRED — AMMUNITION SHIPMENT PLANNING WORKSHEET — PAGE 01

SERIAL NO AJDP72 M S70 86C30 — TO 86030 — DA ± TO STG 86029 — SPLC 4971396 — GBLOC FIAM 8

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POD LPG — TP 1 — DOT PLACARD EXPLOSIVE A — DOT PERMIT

W1IGH AMMUNITION ARMY DEPOT 66A — DOT CLASS CLASS A EXPLOSIVES — CG CLASS 3

AMMISTON, ALABAMA 36201-5 — R M GRAZIANO — MILAIR 9-55

FIAC FIGMT SMSTB CP 4 TRANSIT IN STG

AND ADDRESS — OUTLOAD DNG NO — PSC 2 — SHIP DDD 5100.7BM

W1IP7H — RELEASE REQ NO — RELEASE NO

US ARMY MISSILE COMMAND — TYPE SIZE EQUIP ORD — FURNISH

W1IG7G TRANSPORTATION OFFICER — TRANS OFF — CARRIER INITIAL AND SERIAL NO — DATE

US ARMY MISSILE COMMAND — REDSTONE ARSENAL AL 35898 — PALLET WT — DUN WT — WT

TRANS OFF — CONEX WT — SEAL NO — HOLD DELAY

REDSTONE ARSENAL, ALABAMA 35898 — DOT MATERIAL MARKING DESCRIPTION — VEH PLACARDED — FULL — FUND — GBL

ROCKET AMMUNITION W/EXPLOSIVE PROJ UP EXP WT 11.0 UP QTY 00001 WT 00.00 CU .000

CTILF CLASS A EXPLOSIVE — UPK/PAL — PW — PC

DOCUMENT NUMBER	STOCK NUMBER	RIC	QUANTITY	CC M	SHIP PRICE	TOTAL EXT WT	EXT CUBE	ST/COMP	COLOR CORNER MARK
W31G3H6028001J	1410013301813	8804	0001000	A	8438000.00	00000.00	4800.000	S YELLOW	MISSILE

NOMENCLATURE — MILEAGE FACTOR 0100 — U/I EA — PALLET DIM 00.00 00.00 00.00

GUIDED MSL SUR AIR RGM-71A-2 — U PKG SIZE 04.80 01.00 01.00

NMFC 046300 DESCRIPTION PROPELLANTS CLASS A — UFC 69093 — SCIC — P QUANTITY DISTANCE CLASS 1.1

FLIMSY LINE NO	LOT NUMBER	INSP DATE	LOT QUANTITY	LOT EXP WT	SITE LOC	RESTRICTION NUMBERS	PKG NO	TOTAL PKG	TYPE PKG	WEIGHT	CUBE
001	MAD-14-24	8408	0000312	3432.0	104080						

FLIMSY QTY 0000312

SHIP UNIT 0000312 3432.0 — PROJECT DESCRIPTION

CARRIER RELEASE APPROVAL

W31G3H6028001J XW31G3H6028001JXW W31G3G4100200

ADIC CONT NO — SHIP ACNDEFAADAPDEADDDA NO IP — TCN — ADD ADAADDADDDA DS — RETA TACA DIGGES — WEIGHT — CUBE

SELECT FROM SERVICEABLE STOCK WITH CORRECT & LEGIBLE MARKINGS. MARK, BAND, PALLETIZE, TAG & PLACARD AS REQUIRED. ( )

ADMINISTRATIVE CLEARANCE — NO INSPECTION CONDUCTED. ( )

SURVEILLANCE CLEARANCE — SUSP ARMY ( ) NAVY ( ) AF ( ) — CONDITION CODE — DATE — SIGNATURE — REMARKS

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DAS REQUIRED

AMMUNITION SHIPMENT PLANNING WORKSHEET

PAGE 01

SERIAL NO 6JDR72 N STO 86030 TO 86030 DA E TO STG 86029 SPLC4471356 GBLOC FIAM B

TCN W31G3H 6028 D017XAX DOT LABEL EXPLOSIVE A FLASH PT

ROD 029 TP 1 DOT PLACARD EXPLOSIVE A DOT PERMIT

W31G1J AMMISTON ARMY DEPOT FGA DOT CLASS CLASS A EXPLOSIVES CC CLASS B C

AMMISTON, ALABAMA 36201-5 R M GRAZIANO MILAIR 5-55

FIRE FIGHT INSTR SP 4 TRANSIT IN STG

RAD ADDRESS OUTLOAD DWG NO PSC 2 SHIP DOD 9100.76M

W31P3B RELEASE REQ NO RELEASE NO

US ARMY MISSILE COMMAND TYPE SIZE EQUIP ORD FURNISH

W31G3G TRANSPORTATION OFFICER TRANS OFF CARRIER INITIAL AND SERIAL NO DATE

US ARMY MISSILE COMMAND REDSTONE ARSENAL AL 35898 PALLET WT DUN WT WT

TRANS OFF CONEX WT SEAL NO HOLD DELAY

REDSTONE ARSENAL, ALABAMA 35898 DOT MATERIAL MARKING DESCRIPTION VEH PLACARDED FULL FUND GBL

ROCKET AMMUNITION W/EXPLOSIVE PROJE UP EXP WT 58.0 UP QTY 00001 NT 00.00 CU 0.000

CTILE CLASS A EXPLOSIVE UPK/PAL PB PC

DOCUMENT NUMBER	STOCK NUMBER	RIC	QUANTITY SHIP	CC M	TOTAL PRICE	EXT WT	EXT CUBE	ST/COMP	COLOR CORNER MARK
W31G3H6028B017	1410011301512	R804	0001000	A	0438000.00	00000.00	4000.000	S	YELLOW MISSILE
NOMENCLATURE	MILEAGE FACTOR 0100				U/I EA	PALLET DIM	00.00	00.00	00.00
GUIDED MSL SUR AIR RGM-71A-2						U PKG SIZE	04.00	01.00	01.00

NMFC C64100 DESCRIPTION PROPELLANTS CLASS A UFC 69093 SCIC P QUANTITY DISTANCE CLASS 1.1

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FLIMSY QTY 0000312

SHIP UNIT 0000312 3432.0 PROJECT DESCRIPTION

CARRIER RELEASE APPROVAL

W31G1J8422148 A A A A W31G3H6028B017XAX W31G3G190208

ADICA CONT NO A SHIP AGMDEFAADAADDEADDDD NO IP A TCN A ADD ABAADDADDDD DS NEXT TACC PIECES A WEIGHT A CUBE

SELECT FROM SERVICEABLE STOCK WITH CORRECT & LEGIBLE MARKINGS, MARK, BAND, PALLETIZE, TAG & PLACARD AS REQUIRED. ( )

ADMINISTRATIVE CLEARANCE NO INSPECTION CONDUCTED. ( )

SURVEILLANCE CLEARANCE INSP ARMY ( ) NAVY ( ) AF ( )

CONDITION CODE

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12 Feb 84

#5

1410011391517

Redstone Arsenal

MAJ Chris Simpson
HQDA ODCSLOG
DALO-SPG-LA, Wash, DC 20310-0547

Rocket Ammunition W/Explosive Projectile

Guided Msl Sur Atk RGM-71A-2

Oakland Army Terminal
Oakland, CA

13 Feb 84

DALO-SPG-LA

MAJ Chris Simpson SSN 159-42-9662
DALO-SPG-LA

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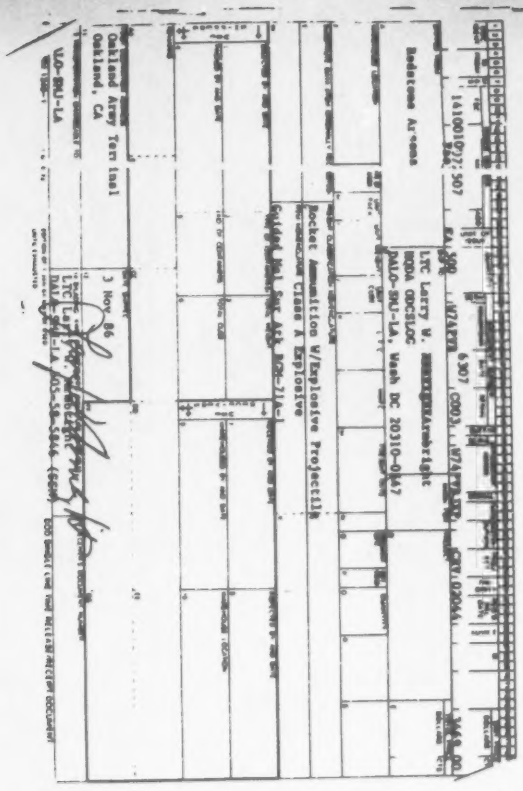

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[redacted]

Committee Hearings

of the

U.S. HOUSE OF REPRESENTATIVES

Partially Declassified/Released on 25 July 1987
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DEPOSITION OF MICHAEL A. LEDEEN

Select Committee to Investigate
Covert Arms Transactions
with Iran,

U.S. House of Representatives,

Washington, D.C.

Wednesday, March 11, 1987

The deposition was convened, pursuant to notice, at 9:45 a.m., in Room 1605, Longworth House Office Building.

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Mr. Eggleston. My name is Neil Eggleston. I am Deputy Chief Counsel of the House Select Committee to Investigate Covert Arms Transactions With Iran.

Also present is George Van Cleve, Chief Minority Counsel, and Mr. Lisker, from the Senate Select Committee, who is here today in the capacity as an observer but not a participant, as I understand, in the deposition.

Let me say at the outset this deposition is classified, that Mr. Ledeen will be testifying to various things that are highly classified and any reader of this deposition should take particular care to make sure the names particularly of individuals and the other information is treated in a classified fashion.

Whereupon,

MICHAEL A. LEDEEN

was called as a witness for the Select Committee, and, having been duly sworn by the Notary Public, was examined and testified as follows:

EXAMINATION BY COUNSEL FOR THE SELECT COMMITTEE

BY MR. EGGLESTON:

Q Mr. Ledeen, before you get into sort of a chronological recitation of your events, let me ask a little bit about your own background and if you could generally tell me in a summary fashion about yourself, where you were born, your education, and your positions up until the time that you

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started to become a consultant with the National Security Council?

A I was born in Los Angeles in 1941; attended Pamona College, in Claremont, California; Doctorate from the University of Wisconsin in Modern European History and Philosophy; taught for some years at Washington University in St. Louis; emigrated to Italy, was visiting professor at the University of Rome, senior Fulbright lecturer; correspondent for the New Republic.

Moved to Washington in 1977 to become the founding managing editor of the Washington Quarterly and senior staff member of the Center for Strategic and International Studies. Was invited by Secretary of State Haig in 1981 to become special advisor to the Secretary of State. Did that until Haig resigned in 1982, Returned to the Center for Strategic and International Studies at that point, where I am still today.

Meanwhile did -- was retained as a consultant by the State Department and the Department of Defense. Was in charge of the analysis and archiving of the captured documents in Grenada in 1983. Did various projects primarily in counterterrorism for the Pentagon in 1984. Became a consultant to the National Security Council in 1985 where I reported to McFarlane as long as he was there and thereafter to North. Worked mostly on terrorism but by appointment on some West European questions.

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Q What kind of matters were you doing when you were with Mr. Haig?

A There was on -- was no theoretical limit to the questions I would work on. I didn't have a regional or substantive definition per se. To the special advisor to the Secretary of State, simply did what the Secretary of State wanted me to do. It was a personal position and reported directly to the Secretary. My primary ongoing responsibility was to represent the Secretary in contacts with leading members of the Socialist International and that involved considerable amount of travel and talking to people, most of whom were in opposition parties at that point. Many of them subsequently became heads of government, but at that time they were by and large opposition parties.

Q How was it that you became consultant to the National Security Council?

A I was invited by McFarlane.

Q Did you have a previous relationship with Mr. McFarlane?

A He and I worked together for Haig. He was at that time counselor to the State Department.

Q What was the nature -- let me ask this question first. Was your employment relationship or your consulting relationship in a formal fashion the same throughout the period of time 1985 to 1986?

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A Yes.

Q Are you still a consultant for the National Security Council?

A No.

Q When did you cease being a consultant?

A In December of 1986.

Q And were you as a consultant -- were you a full-time consultant?

A No. Part-time.

Q And how was it decided what part of your time would be working on matters related to the National Security Council as opposed to outside matters?

A When there were things -- well, I would come in regularly and read the intelligence on terrorism which was my primary responsibility.

Q Right.

A And when there were special tasks that people wanted me to attend to, they would ask me to do that. Otherwise, I would just come in periodically and read.

Q Let me just ask you, you indicated that you knew Mr. McFarlane previously and that initially you had worked primarily for Mr. McFarlane during the 1985 year; is that correct?

A Yes.

Q When in 1985 did you first become a consultant to

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the National Security Council?

A It was either December '84, or January '85. Right at the beginning of the year.

Q Was there anyone else that you principally dealt with at the National Security Council other than Mr. McFarlane during 1985?

A Colonel North.

Q And did you also deal with the other individuals who were in his office, in his suite of offices?

A Well, in '85 as I recall it, there were no other people in his office per se. He shared a suite with Stark, and a couple of other people. I did not work with them.

Q In 1986, did you work with anyone other than Admiral Poindexter?

A Well, I never saw Admiral Poindexter in '86. Admiral Poindexter would not speak to me during the time he was National Security Adviser. So that I reported only to North; and the other people at the NSC with whom I dealt in 1986 were Peter Rodman, who is an old friend, and I think that's basically it. I had some chitchat with Coy and Earle since they were in there.

Q Right.

A From time to time we would discuss questions with them, but had no working relationships with them per se.

Q And when you indicate in an affirmative fashion that

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Admiral Poindexter would not speak to you, what do you mean by that?

A I mean that I several times requested an appointment with him and never got one.

Q Do you know why?

A No.

Q Let me ask you perhaps at this point, I think I have done the background I wanted to ask you about. And perhaps you can just start by telling us your first involvement in this matter?

A As part of my work for the NSC, I would travel primarily to Europe and would speak on behalf of McFarlane or Poindexter with various members of the European Governments, primarily involved in intelligence work; and would discuss with them things on their minds and things -- there was no really fixed agenda for these meetings. You will find in the Tower Commission Report references to letters of introduction which I typically carried. One of these was signed by McFarlane, the other by Poindexter in the cases that they cite.

Q Which two do they cite in the Tower Commission Report?

A They cite one to Mr. Schurer in Switzerland and one to Grossouvre in France.

Mr. Woolsey. Off the record.

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(Discussion off the record.)

(ML Deposition Exhibits No. 1 and 2 were marked for identification.)

BY MR. EGGLESTON:

Q I show you what has been marked Deposition Exhibits ML 1 and 2. Are those the documents you were just referring to?

A Yes.

Q Let me just so I am clear, I take it, Mr. Ledeen, you have read the Tower Commission Report?

A I will not claim that I have carefully read every line of the Tower Commission Report. I read a lot of it, some of it repeatedly.

Q Are these the first, if you recall, letters of this nature you received from the National Security Council?

A I don't really remember.

Q Did you receive others?

A Yes.

Q Did you receive letters to individuals in Israel?

A No.

Q Okay.

A May I make a parenthetical remark at this point?

Q Sure.

A One of the things about the Tower Commission Report that bothers me most is the amount of classified material that

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has been unleashed on the world. In my opinion, letters of this sort had no business being included in public documents. These were private letters written to private individuals.

[redacted]

The act of publication bothered me. So I just wanted to say that.

Q Okay.

A In the course of the discussions that I had early in 1985, one of the people with whom I spoke who was an intelligence official of a West European country had looked unusually tan and I asked him if he had been skiing. He said no, in fact he had been to Iran and had gotten tan there. This interested me a lot. I had been interested in Iran for quite a while. I had co-authored a book on the fall of the Shah with Professor Lewis at George Washington University, had met lots of Iranians, had a cousin who used to be in the Peace Corps there in the sixties; and we spoke about Iran at great length. Basically, what this gentleman said to me was that in his opinion, the situation in Iran was now much more fluid than it had been at any time since the revolution, that it was a moment when he believed the United States could profitably play a role in Iran and that he thought that we should take a look at that. He encouraged me to go to Iran and have a look at that.

end jh
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Q Let me interrupt you here for a moment.

Does this individual -- what I would like to do is not elicit names of people who are not relevant to the inquiry, but I will tell you as to people who I think are going to be relevant since it is a classified deposition; I am going to ask you to divulge their name.

Is this an individual that the intelligence official, someone who plays a further role in this story?

A No. This is his one and only role.

Q Then I am not going to at this time ask you for his name.

Mr. Woolsey. If I might interject, if it might be possible to consider future times when names come up or precise circumstances which might identify names, if we could consider handling it in a very limited fashion that we talked about -- before the Chairman, or whatever, the Chairman or Ranking Minority Member. We appreciate that being a possibility.

Mr. Eggleston. Okay.

The Witness. So I asked him how he thought we could best learn more about Iran. After all, my interest from the standpoint of the NSC was two-fold. It was first of all to learn whatever I could about Iran's role in international terrorism, which was my area of major interest. Secondly, to see insofar as it was possible to

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learn about the domestic situation in Iran, which was inevitably going to be related to these terrorist activities.

He replied that in his opinion the Israelis knew everything, or words to that effect, that the Israelis had a terrific intelligence organization inside Iran, and that they undoubtedly knew more about Iran than any other country in the Western world, and that we should talk to them.

So I returned to Washington sometime after these conversations and reported on them to McFarlane.

BY MR. EGGLESTON:

Q Can you give us an approximate date of the meeting, as best you recall the meeting with the Western intelligence official?

A It is in the March-April time frame.

Q And I take it then the meeting -- the conversations you were about to tell us about that you had with Mr. McFarlane took place in April sometime? Do you have a more precise date than that?

A No. I am somewhat handicapped in the testimony on this subject because I did not keep a diary. Once I had finished with my income tax return for 1985, I threw away all the documents that referred to travel. I am one of those people who has a tendency to acquire

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enormous amounts of paper. My wife has always encouraged me to throw away quickly anything I do not absolutely have to keep.

So all those airline receipts, used tickets, hotel receipts and so forth, anything that I wasn't claiming as a deduction -- most of this travel was paid for by the NSC, so I wasn't taking it as any kind of tax deduction or business expense -- I just threw them all away.

A lot of this will unfortunately be approximate. I apologize, but it is the best I can come up with.

Q Okay.

A Also, I did not keep any records of conversations. McFarlane and I had an understanding there would not be anything in writing on these activities.

My reports to him were verbal. There were no memoranda to him in any detail. Rarely I would write something to him when it was impossible to get to him.

Q Was there a reason there was a decision made not to have any written memoranda?

A It just didn't seem to make any sense to have anything in writing. [redacted]

One of the reasons that they -- people like this wanted to private back channel to the White House rather than going through normal liaison, say the American

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embassy in their countries, which they could easily have done, was because they considered this a more secure way of communicating with the White House and therefore, I thought for their concerns as well as some of ours, it was best not to keep a written record of these conversations and it was a practice I maintained throughout the entire story.

So with very few exceptions -- and I think Jim has given you some of his documents --

Q He has.

A -- which I retained by accident. I will confess to you I was horrified to discover I still had them. If anyone had asked, I would have said I had nothing. I went through all the various desks and discovered -- and some of the funny sub-directories I made at that stage, these things were tucked away. So I gave them to you.

So I am guessing at a lot of these dates. I am sure that at least some of it is going to be wrong. But the -- I can assure you the substance is accurate, even if I may be off by a week or a month.

I reported on this conversation to Bud, and pointed out to him that when I had done the socialist international work for Haig, I had been friendly with Shimon Peres, because he was the Labor Party person with whom I most frequently conversed for Haig and Peres had

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recently become Prime Minister of Israel. I suggested to Bud it might be useful for me to talk to Peres about this subject.

Now, this trip which I discussed also very briefly with Teicher and Covey simply to describe to them what it was about and why I thought it would be a useful trip to make, was fully approved by McFarlane before I went to the extent that before I left he and I had a conversation in which he told me specifically what to say and what tone of voice I was to use when I said it to Peres.

Q Was this trip paid for by the NSC?

A It was indeed. With the exception of my --

Mr. Woolsey. I might interject, the documents on personal travel we got from the NSC and turned over to the committee earlier have that -- the receipts from that trip in it.

The Witness. What you will find is that from the time this thing starts, from the time of the first trip to Israel in May to the end, with the exception of my July trip to Israel which was part of a long-scheduled family vacation, all of my travel was paid for by the NSC and all of it was approved by the NSC before I did it.

So we discussed what I would say to Peres, and the nature of the conversation was that it was a research project, and that while it was a project undertaken for

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the National Security Council on which I would report directly to McFarlane, it was nonetheless not a policy initiative but simply a search for better information about Iran. And what I said to Peres --

BY MR. EGGLESTON:

Q Let me ask a few questions before the meeting with Mr. Peres.

What was Teicher's position at the NSC at the time you had the conversation with Teicher about this project?

A Teicher and Covey, they were the two people on the Middle East.

Q Did you talk to them together or separately?

A Together.

Q Do you recall their reaction?

Let me ask another question. Was McFarlane present at that time?

A No.

Q It was a separate conversation?

A Yes.

Q Do you recall their reaction to this research project?

A They thought it was interesting.

Q Did you -- do you know whether they approved or disapproved of you together?

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A My impression was that Teicher thought it was a good idea and that Covey was less enthusiastic. I don't remember the discussion.

There is a thing in the Tower Commission that says Teicher thought it was best to check with Nimrod Novick to see whether that would be okay. Novick was a special assistant to Peres in the Prime Minister's office at that time. I don't remember whether that came up or not in our conversation.

Q Thank you.

A Could well have. I just don't remember.

In any case, it was -- McFarlane told me formally to go and I informed him when the appointment had been scheduled and so forth. I strongly disagreed with the line in the Tower Commission that says Ledeen on his own initiative scheduled the meeting with Peres, since it was decidedly not on my own initiative; it was a result of an explicit approval from McFarlane down to the last detail of the conversation.

So I went to Israel and met with Peres on the 4th, 5th, 6th of May, in this period. Just the two of us. No one else present in the room.

Q How long was your meeting with him?

A About 40, 45 minutes.

Q Was it a single meeting or did you meet with him

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on more than one occasion?

A On that trip, a single meeting. I met with him again on a later trip.

Q If you could just describe the substance then of your conversation with Mr. Peres?

A I said to him that we were interested in Iran and in Iran's role in international terrorism, and we felt frankly that our information was quite unsatisfactory. We did not have a good picture of these subjects and we did not have a good understanding of the Iranian situation over all. We had a poor picture of the internal situation and a poor picture of the way in which it operated internationally and that some people had suggested to us that Israel might be better informed.

So my questions were two and a half in number: Number one was, do you people know anything about Iran, Iran's role in terrorism? Are you happy with you -- the state of your own information and understanding? If you are, is there some chance that you might be willing to share some or all of it with us so that we too could have a better understanding of it? And finally, sort of half a question: If at some date in the future we manage to understand these things better, do you have any bright ideas about useful things one could do with regard to Iran in a general sort of way?

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This was what I put to him. Now, I want to stress in light of most of what has been written that in that conversation, various subjects were never discussed. Contacts with Iran were not discussed. American hostages in Lebanon were not discussed. These were not on my agenda. They were not things we were looking for. Neither he nor I raised them. They never happened at all.

His answer was a bit disappointing as to basically that he didn't think their information on Iran was particularly outstanding. He was unhappy with it. That while it might very well be better than ours and that would be understandable because they were a lot closer and they had been more active in all of this, basically they didn't have any great understanding of the situation. But that he thought it was important and that he would be delighted to work more closely with us to try to develop better information and better understanding and that, in fact, he would appoint Shlomo Gazit, a former director of military intelligence who was then the president of the Ben-Gurion University in Be'er Sheva, to head a group which would liase with us. They would try to pull together whatever information they could about Iran and that I should work with Gazit and develop a relationship with him and the thing would go forward.

Q Go ahead.

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A And at the end of the conversation, when we talked a bit more about Iran, what did they know, what did they think.

(Discussion off the record.)

The Witness. He asked me if I would be willing to carry a private message from him to McFarlane and he said that they had -- had received a request from the Government of Iran to sell a certain quantity of artillery shells or artillery pieces, I don't remember which, to Iran and that Peres would not do this unless he had explicit American approval for it.

And I asked him please not to ask me to carry that message since it was an awkward message for me to carry and it was not a subject on which I worked at all and I did not particularly wish to be involved in discussions of this kind of subject. Could he please find somebody else.

He said, Look, it was kind of pressing and it wasn't so easy for him to find someone who would be able to speak personally and privately to McFarlane and would I please just ask him.

So I said, Okay, but I'd rather he didn't do this, and that I would do it this one time and that was that.

When I came back and reported to McFarlane on

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the meeting with Peres, I reported this as well, and just to close this parenthetical, when I told this to McFarlane, he said he would have to check and get back to me.

About a week later he called me in and asked me to inform the Israelis that that was okay, but just that one shipment and nothing else.

BY MR. EGGLESTON:

Q Now we are referring to your conversation with Mr. Peres. Did Mr. Peres tell you how many shells he wanted to sell?

A Yes.

Q How many?

A I don't remember.

Q Was it -- is it your recollection it was a substantial quantity?

A It wasn't a particularly huge quantity.

Q Do you have any recollection at all?

A No.

Q Did he tell you who in Iran he was dealing with wanted to sell it to, anything like that?

A The answer has been no.

Q Did he indicate to you whether Israel had made other arms sales to Iran?

A. No.

Q And now jumping ahead to your conversation with

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McFarlane about this issue about the arms sales, did Mr. -- this is the first conversation when you first reported the message. Did Mr. McFarlane tell you who he would have to check with?

A No.

Q The reporter can't take it if you don't say yes or no. He can't look at you either.

A I don't blame him.

Q Then when he called you back a week or so later to tell you that you should inform the Israelis that the one shipment was okay, did he indicate to you who he had checked with?

A No.

Q When you went to Israel in early May of 1985, to your knowledge had the State Department been notified of your trip?

A I had no knowledge about that. McFarlane had told me before the trip that he would inform Shultz of it. So that there would be no glitch with Shultz. So my impression as of the time I went was -- and I believe I told Peres this -- was that Shultz knew about the trip.

When I subsequently discovered that Shultz had not been told about the trip, I was surprised.

Q I assume you are going to get to that?

A So I -- after the meeting with Peres, he arranged

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a meeting with Gazit. Gazit and I met and talked about how we would proceed. We agreed that he would try to find out what Israel knew about Iran and I would try to find out what the United States knew about Iran and we would get together and compare notes and see what we needed to know and see if we could figure out some way that we could advance that.

Then he arranged to have me talk to a couple of [redacted] and so I had conversations with several of these people as well, and talked to some of the -- a variety of Israelis, some of them who were knowledgeable about Iran and some who weren't, particularly.

Then I came back to the United States and reported on the conversation with McFarlane.

Mr. Woolsey. You said you reported on the conversation with McFarlane. Is that what you meant?

The Witness. To McFarlane. And I believe that that report provided the basic incentive for the tasking of CIA to produce the special national intelligence estimate on Iran in that period, the May-June period.

BY MR. EGGLESTON:

Q Did you deal with anybody at the CIA in order to develop that report?

A No. In fact, I did not know anything about the

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report, did not know that it was in the works until it was actually produced and Fortier gave me a copy to read.

Q At this time, did you prepare anything written?

A No.

Q Did you report to anybody other than McFarlane?

A I reported -- I briefly told Fortier that I had had the meeting and it was quite successful.

Q Fortier at this time was McFarlane's deputy?

A Yes.

Q Okay.

A And I may have discussed it with either Teicher or Covey but I don't have any recollection of that.

Q Up to this time in 1985, had you had any dealings with Colonel North?

A Well, we had chatted. I worked out of his office, after all. I was administratively assigned to Colonel North's office. So that was the place where I went to read the intelligence reports that I was supposed to read and I don't remember at what point he started to sign my time chits.

Q Did you keep him advised of what was going on, what you were doing?

A No. I did not.

Q I should say as of this time.

A No. North does not enter the story until

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September as far as I can recall.

Q Okay. So now I have taken you to about the middle of May, I think?

A Right. If I can just put a tag on your last question, I did not inform him of my Iranian-related activities and he did not inform me of his Central America-related activities. The discussions that we had invariably concerned the things on which we were both engaged.

So my notion was to return to Israel fairly quickly and talk to Gazit. I was particularly keen to hear from him what Israel knew and to compare it with the picture that we had in Washington. However, it was about this time, late May, early June, when I was planning to go to Israel when Shultz got angry upon learning that I had been there.

Q How did you learn that he had gotten angry?

A McFarlane told me. Told me that there had been a leak and that the embassy in Tel Aviv had found out about it and that Shultz was angry.

Q Did you ask McFarlane about his earlier representation to you that Shultz knew all about it?

A No. It was clear that he hadn't when he told me that Shultz was angry at not having been told. It didn't seem appropriate to say, You mean you didn't tell him?

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Q Okay.

A But he said that he was -- he would talk to Shultz and that he would calm him down and that it would work out and that I would eventually go back, but that for the moment, there would be no trips to Israel and no further conversations with Gazit.

Q You think these conversations with McFarlane about the flap involving Shultz took place in early June?

A That's what I think. Late May, early June. I think in the Tower Commission, the cables from Shultz are in this period also, as I recall.

Q My recollection is that they are around May 30 or so.

A Yes.

So I waited and I had originally remembered a June trip to Israel. However -- and I must tell you that I still think that I remember having been to Israel an additional time. However, there are no Israel stamps on my passport for June. There are no NSC travel records, and I am compelled to believe that my memory has added a trip there where there was none.

However, I note for you in the Tower Commission Report, there is someone else -- Shultz talks about trips and there is someone else who talks about, talks as if there is another trip in their someplace. Anyway --

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Q Do you recall anything significant happening on this trip?

A No. All I remember is conversations with Gazit which could have taken place in July.

Anyway, the next documented trip is July. This comes as a result of a meeting with Schwimmer in the middle of the month. In the first half of July, I got a call from David Kimche, the director general of the Israeli Foreign Ministry. Given the structure of their Foreign Service, he is in essence the Deputy Foreign Minister of Israel.

Mr. Woolsey. Is or was?

The Witness. Was. He ~~retired~~ retired a couple of months ago.

I had known him for some years. I had gotten to know him, I guess, just before Reagan's election, or immediately thereafter, and he was the person to whom I reported in Israel when I traveled to Israel on behalf of Haig because my practice when dealing with the Socialist Parties in other countries was to talk to them and report generally on my conversations to a senior person at the Foreign Ministry in that country so the government wouldn't think the United States was somehow going behind its back in supporting or favoring their opponents in one manner or another.

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Kimche was the person to whom I typically reported on these meetings at the Foreign Ministry in Israel.

BY MR. EGGLESTON:

Q Did you develop a personal relationship with Mr. Kimche?

A Yes. We are friends. Our family -- our wives are friends, our children are friends. And we have seen each other socially on a variety of occasions. He speaks on occasion to international meetings of organizations which I sometimes address as well. So we have run into each other at international conferences and conventions and what have you.

Q If you could tell us about that conversation you had with him in early July?

A He called from Israel and said that a friend of his named Al Schwimmer was coming to Washington and he would appreciate it if I could listen to what Al Schwimmer had to say. And a few days later, a person named Al Schwimmer did indeed call.

Q I take it you did not know Al Schwimmer prior to this time?

A I did not, no. He invited me to lunch.

Q I am sorry. Did Mr. Kimche tell you who Al Schwimmer was? Why he would be calling?

A No.

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Q Just that he would be getting in touch with you and you should respond?

A Yes.

Q Okay.

A So Schwimmer came to Washington. This is the first half of July. And we had lunch together and Schwimmer told me that he was a close friend of Shimon Peres, that he had been the president of Israel Aircraft Industries, now retired, but that he still was active in some matters on behalf of the Prime Minister and that in that connection, he had been introduced a short time before by Adnan Khashoggi to a very interesting Iranian by the name of Ghorbanifar, and that Ghorbanifar had a lot of very interesting things to say both about Iran and about the intentions of leading figures in the Government of Iran, and that he thought under the circumstances it was worthwhile for me to come as quickly as could possibly be managed to meet with Ghorbanifar and that this could be done either in Europe or in Israel.

Q Had you met -- just so the record is clear, I take it as of this time you had never met Mr. Ghorbanifar?

A Had never met him. That was the first I heard of him by name.

Q Mr. Khashoggi, had you met him before?

A I had run into Mr. Khashoggi before. I believe

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we had been introduced but I had not met him per se. I had no relationship with him.

Q When you say it was the first time you had heard of Mr. Ghorbanifar by name, had you heard of him in some other context, not by name?

A It turns out that I had, although I did not know it then. In fact, I did not know it until long after all these events -- I had ceased to be involved in these events.

Ted Shackley had approached me a couple of months before this conversation with Schwimmer. Shackley and I typically tended to meet for lunch once every two to three months or thereabouts, and at one of these luncheon meetings, he told me about a meeting that he had had with an Iranian in Europe at the end of 1984 and said that this Iranian he found to be very interesting and very well connected in Iran and had in essence offered his services to arrange the ransome of Buckley and possibly other American hostages, and Shackley told me that he had reported this to General Walters at the State Department and that there had been no response of any sort and that he would like to try one more time simply to indicate -- call the attention of the American Government to this conversation in case anyone was interested, and he gave me -- subsequent to this conversation, he came over to my

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house and gave me a memorandum dealing with the subject, which I passed on to Colonel North without reading. And --

Q Let me stop you. I lost a little track of the time.

The meeting that you had with -- the luncheon meeting that you had with Shackley where he is relating the conversation, was that before or after you went to Israel in April, if you recall?

Mr. Woolsey. You mean in May?

Mr. Eggleston. In May.

The Witness. I think the way it worked, the luncheon was a month or so before my trip to Israel. I think he probably gave me the memorandum either just before I went or just after I returned in May. But it is all in this sort of spring period.

BY MR. EGGLESTON:

Q Okay.

A In any case, the memorandum which I read for the first time when the Tower Commission was kind enough to show me a copy of it,had, in fact, Ghorbanifar's name in it and had I realized that at the time, I undoubtedly would have talked at some length to Shackley about Ghorbanifar when I got to know Ghorbanifar; but I didn't, and I didn't. Didn't read it, didn't realize it. And never discussed it with Shackley. So that's the answer to your question.

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It turns out I had heard something about Ghorbanifar, but wasn't aware it was Ghorbanifar about whom I had heard.

Q Right.

A So Schwimmer told me all these things about Ghorbanifar. He gave to me what I believe is called the Khashoggi document, that is the -- as I read it, about a 40-page report in three or more sections, of which one section dealt with Iran. The section on Iran, Schwimmer told me had been written by Ghorbanifar and that he and other Israelis found that section particularly interesting.

So I reported on this luncheon meeting to McFarlane and gave him that middle section, the section that Ghorbanifar had written about Iran after reading it several times quite carefully.

Q Let me make sure I am clear. Did Mr. Schwimmer have an official position in the Israeli Government at this time?

A No, he didn't. He had -- well, maybe I shouldn't be so quick to say no. He had some kind of advisory position to Peres. That is, he had a title of some sort but he certainly did not have a line position in the Israeli Government, a formal position.

Q Okay.

A So I gave this document to McFarlane and asked

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him if he wanted me to meet with Ghorbanifar and pointed out to him that we were going to be going to Israel in any case within a few weeks and spending three-and-a-half weeks there on vacation and that if he wished, I could meet with Ghorbanifar in Israel during this period, and he approved it and told me to meet with Ghorbanifar while I was there, so this was arranged. I informed -- I don't remember whether it was Kimche or Schwimmer that I called to tell this to.

Now, Schwimmer had mentioned that Ghorbanifar was interested in discussing the subject of hostages and had indicated that he believed the Government or Iran could be helpful in obtaining the release of American hostages from Lebanon. I reported this also to McFarlane.

When I got to Israel, I met first with Gazit --

Q Let me stop you at this point.

When you got approval from Mr. McFarlane to meet with Mr. Ghorbanifar when you were on your own vacation in Israel, was there any discussion about the nature of the conversation that you were supposed to be having with Mr. Ghorbanifar, as there had been on the Peres meeting? Did you discuss with him the purpose, the kinds of messages you should send, anything along those lines?

A No. My instructions were simply to attend this

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meeting and to report back on it, to learn whatever I could.

Q Okay.

A In general, the one general estimate that can be made about my participation in that meeting and in all subsequent meetings was that at no time was I ever authorized to negotiate on behalf of the Government of the United States or to make decisions on behalf of the Government of the United States. My role was always that of someone who was supposed to attend meetings, listen, ask questions, find out as much as I could, and then report back.

I was not on that occasion or any other occasion part of a decision-making loop or process. My conversations about the whole subject were almost exclusively with McFarlane and occasionally with North and other persons, but they were always in the manner of one-on-one conversations.

I never attended general meetings. I was never at a National Security Council meeting on this subject, never at a cabinet meeting on this subject. So that mine was a talkative, fly-on-the-wall role, if you like. Watch, listen, ask, but could never do. Never authorized to do anything nor did I ever do anything. This was clear to the other people, too.

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I expect that it will be discovered at a certain point that the Israelis had a very clear definition of my role from McFarlane as well as from me. I expect this will also be borne out in time when they finally respond to all these questions.

Q Did you report on the luncheon with Schwimmer to anyone other than McFarlane?

A No, I don't think so. There is a thing in the Tower Commission which says that I gave a short note on it to Wilma Hatrall, who was McFarlane's secretary, and that she may have given it to Admiral Poindexter, so it may have gone originally from Wilma to Admiral Poindexter to McFarlane, but the note in any case, if it was a note, which I don't remember but could very well have taken place, the note would have been addressed to McFarlane and she would have passed it to Poindexter.

In any case, McFarlane said, Go ahead and talk to this guy and let's see what happens. I got to Israel around about the 16th or 17th or 18th of July, and met fairly quickly with Kimche and discovered at that point that Gazit's basic working group was Gazit, Kimche, Schwimmer and a chap named Jacob Nimrodi, who had been for many years the Israeli military attache in Teheran and who spoke Farsi, which was handy because as things developed, we had the need for someone who spoke Farsi,

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and Nimrodi served as the Farsi speaker and was able to check on the way Ghorbanifar was translating conversations, conversations he would hold on the telephone in Farsi and so forth.

Q Had you met Nimrodi before?

A Never met him before.

Q Did he have a position inside the government?

A No.

Q Did you know what his position was at the time?

A No. I found out that he was an arms dealer and that he was politically and personally a close friend of General Sharon's.

Q When did you find that out? Approximately? Was it after this whole thing was over?

A No. No. It was during that vacation trip.

Q Okay. Thank you.

A And the --

Q There is a public report in the Tower Commission or somewhere there was a meeting, I think, in Washington in early July of 1985 between Kimche and McFarlane.

A I have read that. I was not aware of it.

Q You were not aware of it?

A No.

Q Did McFarlane ever tell you such a meeting took place?

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A No.

Q And you obviously did not attend that meeting?

A No.

Q Please continue.

A If you want to guess, I will be glad to give you a guess as to what I think that meeting was about.

Q An informed guess would be fine. A raw speculation, I am not too interested in. I would be interested in what your view is.

A I would say it is sort of a 65 percent informed and 35 percent raw. I don't want to overstate it.

Q All right.

A It is a guess but it is probably pretty close to right.

I think Kimche came to talk to McFarlane to say basically we have met this fellow Ghorbanifar, he is an interesting fellow, we are thinking of pursuing this. A, what do you think about this? B, is Ledeen the channel through which we should go?

They could have gone any way they wanted. There was no obvious reason for them to go through me. My guess is that McFarlane in essence said, Let's see how it goes, and, yes, that is as good as any.

Again, I don't know that, but that's my guess, because one of the questions that occurred to me was, why

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were they doing this through me when they had so many other ways that they could do it and when I saw this meeting had taken place, my guess was that they had asked him.

Q When did you first learn that that meeting had taken place? Not until you read the Tower Commission Report?

A No. It was in the Senate Select Committee Report. I think that's the first time.

Q Okay.

A Or maybe it was in McFarlane's public testimony. I didn't know about it until then.

Q It was well after the event?

A Oh, yes.

So I met with Ghorbanifar. We had a meeting towards the end of July, the 29th, I think it was, in Tel Aviv. And it went all day. We met in the morning and then we had lunch and then we met some more in the afternoon. We talked well into the evening.

Mr. Woolsey. Excuse me. Who was present?

BY MR. EGGLESTON:

Q I was about to ask the same thing.

Who else was present?

A It is the basic group, as it would remain throughout. That is to say, Kimche, Nimrodi, Schwimmer, me, and Ghorbanifar.

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Q What language did you speak?

A English.

Q How is his English?

A Good, not perfect, but good.

Q But good?

A Good.

The basic message that Mr. Ghorbanifar brought was that there were powerful persons -- well, two stages. First, that the internal situation in Iran was considerably worse, more stressful, and more potentially explosive than we had generally imagined. He told us stories of armed conflict in the streets of Iran, of movements of large numbers of people, for example, at night because Iran had no night radar and the Iraqis could bomb cities at night, so the people were moving out to the countryside at night to avoid being bombed.

He described to us a model of internal political conflict which over time I think basically checked out. And he said that under these circumstances, there were several of the most powerful figures in the government who were interested in achieving better relations with the West and that they recognized that Iran's policies up till then, primarily the policy of using terror as an integral part of Iranian foreign policy and using terror to export the Shia revolution was alienating them with the

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Western world and they were willing to work to moderate Iranian policies in order to achieve better relationships with the West, above all better relationships with the United States.

That, therefore, it was possible, working with these people, to achieve a change in the nature of the Iranian regime and in the policies that it would carry out and that in order to show their good will, their desire to make these changes come about, and their capacity to influence the course of events in Iran, they would undertake to have a series of gestures occur which included a change in the public rhetoric towards the United States, an end to terrorist attacks against American targets, and an effort to convince the hostage holders in South Lebanon to release one or more American hostages; and that in return, if the United States was, in fact, interested in working toward a better relationship with such in Iran, that they would expect a similar gesture from the United States which would demonstrate the legitimacy of the channel and the desire and capacity of the President to move towards a better relationship with Iran and that the only thing that would meet all those requirements would be if the President of the United States enabled Iran to obtain the weapons that it so desperately needed to defend itself against the Iraqi invader, weapons which it had

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been prevented from obtaining in the past because of the American arms embargo.

This is the basic test that Ghorbanifar proposed and tests that emerged in the course of this long conversation, and we talked to him in some detail about the real desire on the part of the leading Iranians to have the policies of Iran moderated and their ability to do so, and what could one hope to achieve over time and at great length about the internal situation in Iran and about the role that Iran had played, was playing and was planning to play in international terrorism.

When our conversation was over the next day or the day afterwards, the four of us -- that is the three Israelis and me, without Ghorbanifar -- met to discuss what we ought to do about all of this.

Q Before you get into that, let me just ask you some questions I had arising out of the conversations.

First, between the time that you had obtained authorization to speak to Mr. Ghorbanifar on your trip and the time you actually met with him, did you do anything to check out who Mr. Ghorbanifar was?

A I was not in a position to do that.

Q Do you know whether Mr. McFarlane did anything or anyone at the NSC to check out his bona fides or anything along those lines?

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A I don't know.

Q Did Mr. Ghorbanifar during the course of that meeting tell you who he represented in Iran?

A Yes.

Q Did he give you a specific name?

A He gave us several specific names.

Q Were those names people that you recognized?

A Yes.

Q They are people who you knew to be major leaders in Iran?

A Yes.

Q How would you characterize their political position in Iran? There has been excessive -- extensive -- although excessive may be more accurate -- discussion about moderates, radicals, various other characteristics.

A Well, if I could say something about the question of moderates, Iranian moderates. I do not believe in the existence of Iranian moderates in the sense that one would normally use the English word "moderate." I do, however, believe -- and I took this to be Mr. Ghorbanifar's meaning -- that there are Iranian leaders who are willing and indeed eager to moderate the behavior of Iran in the world and to influence Iranian policy in a direction which we would consider more moderate than the one that they are pursuing now, and I do believe also that within the Iranian --

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current Iranian regime, there are more and less radical people, so there are people who are relatively moderate compared to a very high standard of radicalism, which is Khomeini himself and some of his people.

So with that, Ghorbanifar also stressed -- and I think that it is something that has to be checked, but it is certainly not to be rejected on the face of it -- that there are some people in Iran who appear to be extremely radical and even fanatic but who, in fact, are wishing for a different kind of government and different kinds of policies which they are secretly prepared to advance.

So that it is quite conceivable to me that there are people in Iran who are publicly one thing and privately something quite different. This was one of the things which I thought we should be investigating and one of the reasons why I urged one course of action rather than the one that was ultimately adopted by the United States Government.

But to answer your question, after all, I would characterize the public positions of the people with whom Mr. Ghorbanifar said he was in contact as mixed. Some of them were among the people who had the most radical reputations; some of them were people who had reputations as being somewhat blander or somewhat less ferocious.

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Q Were you able to reach a conclusion about whether or not Mr. Ghorbanifar actually had contacts with these individuals?

A We were able to establish to our satisfaction that he did have contact because he was able to pick up the phone in Tel Aviv and dial Teheran and talk to these people and talk to them on a first-name basis, where clearly they knew who he was, what he was, what he was doing, and all that.

This was one of several occasions on which he would make such calls with Nimrodi on the extension, listening.

Q Was it -- was Mr. Ghorbanifar in the posture or did he inform you that he had been sent by the Iranians or was he more in the posture of someone who was trying to bring two sides together?

A It was rather between those two positions and the impression was of a person who was acting with the knowledge of people in Teheran who either -- depending upon what sort of emphasis you want to give it -- either approved of what he was doing or were willing to let him try, but that in any case, they were interested in obtaining the same results as he was attempting to obtain, namely an improvement in the relationship between the two countries leading to a moderation of the behavior of Iran. That was

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the bottom line.

Q Was there any discussion in these conversations about whether or not Iran had control of the hostages?

A Yes, there was.

Q What did he tell you about it?

A He told us that he believed Iran had considerable control for the hostages and that they could, in fact, effect the release of the hostages.

Q You indicated that as part of this discussion he referred to the release of one or more hostages.

A Yes.

Q I take it it was not -- those were carefully chosen words by you, was not necessarily that they would release all the hostages?

A No. The main hostage discussed, the hostage on which he put the most emphasis from the beginning, was Buckley. He knew who Buckely was. He told us that Buckley was being tortured and he said that he thought that they could get Buckley out, but he wasn't sure, but he thought that they could get Buckley and several of the others. This was the basic hope.

Q And finally, out of that last question, out of that meeting, and I will let you move on, was there any discussion about the quantity or the amount of arms that they were seeking as a return gesture?

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A Yes, there was, but I cannot remember anymore whether it was 100 or 400 or 500, but it was TOW missiles.

Q It was somewhere in that vicinity?

A Yes.

Q So you were telling us that shortly after, the next day after this meeting, you had a conversation among the four of you without Ghorbanifar?

A Yes. We decided there was something that should be reported quickly to McFarlane. And I agreed with that, although the idea of flying back to Washington, interrupting my vacation, was not attractive, especially because Kimche had to go anyhow.

He offered to report on these conversations to McFarlane. That was fine with me. I wrote a short note that Kimche brought. And Kimche went to report on this to McFarlane and carried with him a handwritten version of some notes that he and I had taken and of which we had produced a kind of joint copy of the conversations with Ghorbanifar, what he had spoken about, what -- who the people were inside Iran whom he thought would be interested in working in this direction, what was the basic lines of -- what were the basic lines of conflict inside Iran, et cetera.

Q Do you know whether the State Department was aware you were meeting with these individuals?

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A I don't know.

Q Do you know why Kimche was going to Washington?

A I don't remember, but for Kimche to go to Washington was not at all extraordinary.

Q I assumed that would be correct.

(Discussion off the record.)

BY MR. EGGLESTON:

Q Do you know when it was that Kimche spoke to McFarlane back in Washington?

A The very beginning of August.

Q You were still in Israel at that time?

A Yes, celebrating my birthday, which was August 1st, which was another reason I felt was a bad time for me to go. My parents had come over to Israel. We were going around ~~to~~ Jerusalem together.

He went and briefed McFarlane about this and came back and told us that McFarlane had said that for a test of the sort that Ghorbanifar was proposing, he would have to ask the President what the President wanted to do, and that when he had an answer from the President, he would report back.

Q Let me just make sure I have the chronology in my head. Have there been any discussions of the release of hostages prior to this meeting in Tel Aviv?

A There may have been a possibility of a discussion

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of the release of hostages when Schlesinger and I had lunch in Washington. In which case, I would have reported that to McFarlane.

Q That would have been early July?

A Yes.

Q But no mention of arms?

A I just don't remember.

Q Okay.

A I tend to think not. But there may have been. In any case, this so far as I can remember is the first detailed discussion at which a test of the sort that Ghorbanifar proposed to us was discussed, and again I want to stress, as I have stressed on every occasion, that this was not proposed as a swap of arms for hostages nor was it in that context. The context of the discussion was the relationship between the United States and Iran, and it was necessary -- this was a stage through which this dialogue must pass in order to establish who was who and what was what. Because all the questions that one had on each side, we were -- I was extraordinarily suspicious of Mr. Ghorbanifar.

Mr. Ghorbanifar seemed to me at the time to be altogether too good to be true. He was exactly the thing that we were all looking for and ~~that~~ he magically appears with all of the things that if we could prepare

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a wish list, there he was and he had it all. I do not believe that things like that normally happen in a lifetime.

So we wanted to know about Iran and he knew more about Iran than anybody knew. And we were interested in seeing what was the chance in the future of change, and he came proposing precisely that. So I was extremely skeptical and I told McFarlane when I came back in August.

Q Do you remember when you came back, approximately?

A The middle of August. I told him that Ghorbanifar could be anything and could even be a KGB agent since if I were the KGB, I would certainly want to know about American intentions with regard to Iran and I might be willing to invent a Ghorbanifar and send him to us to see how we would respond to this. That's the sort of thing they had done.

I told him I thought we had to be extremely careful with this gentleman. He, McFarlane, told me a couple of days later that the President had approved this test and he asked me to meet with Kimche as quickly as possible to assure Kimche that the President had in fact made this decision and to arrange a way that it was -- we could communicate with the Israelis securely without going through the normal communications systems either in the Israeli embassy or the American embassy in Tel Aviv.

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McFarlane had written out a one-time code to be used in connection with the hostages, were they were going to be released, and where, if at all, it would be required for the United States to pick them up.

There were various contingencies that might come up in connection with the release of one or more hostages. They might be on a beach, in the city, on a hilltop someplace.

I was to explain to Kimche that there were places that were better than other places for us to extract hostages in Lebanon and that in his conversations with Ghorbanifar, I should stress if the Iranians had an option of having these people emerge at certain locations, these are the ones we preferred; if we could get advance notice, that was all to the good, et cetera.

So I flew to London on the 20th of August.

Q Let me stop you for a moment.

As best you recall your meeting with McFarlane, after you returned, it was sometime in mid August?

A Yes.

Q Can you -- you have no way to place it any better than that?

A If I had to bet, it is between the 10th and 15th of August.

Q McFarlane indicated to you he had spoken with

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the President?

A Yes.

Q Did he tell you anything else about his meeting with the President?

A No. He just said the President had approved it.

Q Did he tell you whether or not any other senior officials were involved in the decision?

A No.

Q So you didn't know the positions of Shultz, Weinberger, Regan, or anyone else?

A No.

Q And did -- when he indicated to you that the President approved the test, did you know at that time what amounts both of hostages and weapons people were talking about?

A I knew the amount of weapons. So far as I can remember, we were talking about 100 TOWs.

Q Do you recall -- and again I understand that it was not your position that this was a swap, but can you recall how many hostages we anticipated getting out as a result of it?

A I don't think that was explicit. That is, they would do what they could. This was a gesture on their part. They always denied being in control of the hostages, although they -- Ghorbanifar said that he thought they

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could get them out, but he said the Government of Iran would always deny having either organized the taking of these hostages or being directly involved with the hostage takers.

Q Let me ask you this: Was it your understanding if no hostages would be released, we would send the TOWs anyway?

A Well, we were going to send the TOWs and then we were going to see who came out, if anyone. The -- when we met in Paris in early September, there was some talk about perhaps there would be some magical way in which one could achieve a form of simultaneity, of arrival of weapons and departure of weapons. Since there was not very good trust on the two sides.

I did not know, by the way, at this time --

Mr. Woolsey. At which time?

The Witness. At this time, either in August or September, of the role played by Khashoggi in all of this.

BY MR. EGGLESTON:

Q Your understanding is his role was one who had written this memorandum?

A He introduced Ghorbanifar to the Israelis, period.

But I didn't know about the bridge financing.

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I didn't discover that until sometime later.

Q Okay. You were telling me about a meeting on the 20th.

A So I met Kimche at Heathrow Airport in London. I rented a room at one of the little hotels there around the airport. He flew from Tel Aviv, I flew from Washington. We met there for several hours. I gave him the codes.

We talked about how this might work, and I then flew to Los Angeles where I was scheduled to give a speech and when I was done with the speech, I went up to Santa Barbara and briefed Bud. He was then in the summer White House, about the conversations and gave him -- now Kimche had prepared a detailed set of notes now properly typed and all of that from the meetings in July. I gave those to Bud and off I went and we waited to see what would happen.

Q That would have now been around what time?

A Now the 22nd or so of August, 22nd or 23rd.

Now, so far as I can remember -- I am going to leave in about five minutes.

Q I understood you would be leaving in five or ten.

A So if you have questions, now might be a good time.

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Q No. No.

A Okay. I don't remember exactly the sequence, but a reasonable sequence might well be that the first -- a number of TOWs goes at the end of August or the very beginning of September. And nothing happens.

Q As you are describing this to me, are you describing the knowledge that you had at the time?

A Yes. I think I knew when the -- when these first things went.

Q Okay.

A Nothing happens. I was then invited to come to Paris to meet with everybody to see what was going to -- what was going on. So I went to Paris on the 4th of September.

Q Did you know at that time how many TOWs had been sent?

A I think I did. I think it was 100. As best as I can remember.

Q Right.

A It was 100.

Q So the date of this meeting now is the 4th of September?

A Fourth of September.

Q Did McFarlane tell you to go?

A McFarlane approved the meeting and the NSC paid

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for the trip. And you will find that in the NSC documentation.

Q Right.

A The discussions in Paris revolved around two questions.

Q Who was present at the discussions, first? The same five?

A The usual suspects.

Q The group of five now?

A Yes. Two subjects of conversation. One was hostages and weapons, and Ghorbanifar is saying that with just a few more TOWs, this whole unpleasant problem will be solved; and I am not sure whether -- I think my recollection of this is prompted by something I read in the Tower Commission Report, but in any event, it sounds right to me. That is that the missiles -- the 100 TOWs -- were immediately seized by the Revolutionary Guards and therefore were unusable as a symbolic gesture by the people that Ghorbanifar had in mind and on whose behalf he was speaking and that this thing had been sabotaged by the Revolutionary Guards and that it was necessary, unfortunately, to send in more TOWs.

And there was then an extended discussion of the future of the relationship between the United States and Iran. By and large, when Ghorbanifar started to talk

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about hostages, Schwimmer and Nimrodi talked to him and Kimche and I started to go off and talk about the broader question of Iran and the United States.

Ghorbanifar also said that in the very near future, we would see public statements by the -- by leading officials in Iran that would show that a change was in the process of taking place; and, indeed, shortly thereafter, on the anniversary of the fall of the shah, September 8, 9, 10, 11, in that period, both the Presidents and the Prime Minister, I believe, on occasions which in the past it would have been traditional to denounce the great Satan and otherwise attack the United States, for the first time since the fall of the shah, they did not do that. There were attacks against the United States in those speeches, and, indeed, there was an attack against the Soviet Union, which was interesting and encouraging.

In any event, the Israelis went ahead and -- with the balance of these TOWs.

Q Do you know how the number of what turned out to be 408 was arrived at?

A No. That was always a mystery to me, where the eight came from.

Q Putting aside the eight, which could well have been a packing error, do you recall any discussion about how the number 400 was arrived at?

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A Well, I am not certain whether the 500 figure was not there at the beginning and the 100 was supposed to happen and then the hostages would come out and the remainder of the 400 would go in.

I tend to think that that was the arrangement, because I don't remember any discussion at that point of a whole new problem which I am quite sure I would remember. That is, it did not happen that we made our full gesture and they did nothing and we decided, well, okay, they didn't like our first gesture; we will give you another gesture. That did not occur. It was supposed to be staggered.

Part of the sum total was to go in; then we would hope something was going to happen, and the balance would go in. That was the way it was designed. So the 400 were part of this gesture from the beginning. It was not a whole new situation.

Q I take it then what your recollection of what happened was ~~was~~ that the reason there was no one released between the two shipments is that the first shipment ended up in the wrong hands?

A That's what was said. And it may even be true. I don't know. I don't think I was ever able to check that. It wasn't a surprise, mind you.

And another point I would like to make here in

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passing, because it is interesting in terms of understanding the way this happened, when I was in Israel in the July-August period,

[redacted]

But there is an image that gets generated sometimes of a monolithic government of Israel which has a master plan and all, which it is actively advancing. What I found in Israel was an Israeli Government that was as internally divided as our own, and it was divided for many of the same reasons that our own government is divided.

There were turf conflicts as well as substantive disagreements.

[redacted]

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Q I don't want to keep you. It appears to be 11:12 or so. I have a few more questions. I guess we will reconvene here at 2:15. The room will be reswept in the interim.

Mr. Woolsey. Is that the soonest you can get here?

Mr. Van Cleve. The earlier, the better as far as I am concerned.

(Discussion off the record.)

(Whereupon, at 11:15 a.m., the deposition recessed, to reconvene at 2:00 p.m., this same day.)

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2:15 p.m.

Mr. Eggleston. Let me remind you you are still under oath as a result of having been sworn in this morning.

The Witness. Thank you. I happen to hold to the Shultz theory of these things anyway.

Mr. Woolsey. What is that?

The Witness. If you are not going to tell the truth, you better not testify in the first place. It doesn't matter if you are sworn or not.

BY MR. EGGLESTON:

Q When we broke for lunch, we were in the process of discussing the August/September transfer of TOWs. I think that you had -- we were in the position where you had substantially told us about a meeting that took place with the usual suspects on September 4th and I had a number of questions. I can't remember at the time we broke, you had additional things you were telling us.

A Why don't you ask a question.

Q As of, I guess -- as of September 4, did you have any knowledge -- let me do it by as of September 15 or something, to take it through the rest of the transaction. Did you have any knowledge of any agreement between Israel and the United States whereby the United States would replenish the Israeli TOWs?

A I didn't think that it required any kind of special agreement.

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Q Is that no, there was --

A No. I don't believe there was a special agreement. I hadn't been asked by the Israelis whether that would happen. I think I once discussed it with McFarlane. He said something to the effect, look, they have never had any trouble buying weapons from us before, why should they have trouble buying weapons from us in the future?

Q It was not your understanding that the United States had committed specifically to replenishing whatever TOWs had been sent from Israel to Iran?

A I don't have any knowledge of any specific understanding.

Q Did you --

A However -- excuse me. However, I do have the clear impression that the Israelis asked the question and that they were told in essence what I said to you before, which is, look, you have always -- you have never had any trouble buying weapons from the United States before, and we don't anticipate you will have any trouble in the future.

Q Okay. Did you have any knowledge of how the TOWs were actually transported from Israel to Iran?

A Yes.

Q How was that accomplished?

A It was in a chartered 707 and I used to actually know the route, but anyway, it flew a route which in the

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end brought it over Iran either coming out of [redacted] There were two alternative ways of going.

Q Do you recall the charter company?

A No. I never knew that.

Q Do you know who arranged for the charter?

A Schwimmer.

Q Do you know whether there was any United States involvement in the mechanical aspects of the transportation?

A I am virtually certain there was none.

Q That there was none?

A Yes. By United States, you mean the United States Government?

Q I meant United States Government.

A I don't think there was any.

Q By any American citizens? Which is to say --

A I don't believe so. My impression was that the crew was all foreign, foreigns, foreign citizens.

Q As of this date -- and I don't think this is necessary -- did you know Richard Secord?

A Not then, and not now.

Q I take it there comes a time when you hear about him.

Q I had heard -- it was a name that I had heard already then but it is a person I do not know.

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Q Is it a name you had heard then in connection with this operation?

A No. Not as of this time. And, in fact -- well, I will let that go till later.

Q I have asked the questions I wanted to ask you about the September fourth meeting.

A Okay. In the middle of September, then the Reverend Weir emerged.

Q Right.

A And that was good news basically.

Q Were there any discussions between the -- I think the Reverend Weir was released around the 14th of September. The 15th? I have my chronology here somewhere.

Do you recall additional discussions between September 4th and September 15th?

A No. I think -- I don't think I had any. I would have reported to McFarlane about the conversations on the fourth when I got back to the United States.

Q Right.

A And North had been brought into this around this time, early in September on the basis that if it is going to be necessary to extract one or more hostages, that would be North's assignment.

So I had been asked to inform him if I had any information that hostages were coming out, if I had any knowledge as to

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where that would happen and when that would happen. And we discussed that possibility, although I did not tell him about t background offers.

Q Was this discussion prior to the release of, I guess, Weir?

A Yes.

Q The discussion with North was prior to that time?

A Sure. I was informed of Weir's release by McFarlane in an early morning telephone call.

Q Were you back in the United States?

A Yes. I was at home. He called 5:30 in the morning, something like that, six o'clock to tell me that there had been a release and it was a priest and congratulations. And then the issue there was where did we go thereafter. From my standpoint, we had established several of the things that we needed to establish.

That is, the test had been successful up to a point, because we had established, I thought, that Ghorbanifar was, indeed, a channel to people in Iran, that these people in Iran were, indeed, in a position to influence the condition of hostages to the point where they could obtain the release of at least one. That was all by itself a considerable advance in our understanding.

Up until then, the experts on terrorism were very sharply divided among people who thought that Iran had

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considerable control over this situation and people who believed Iran had no control over this situation.

And of the category of people who believed they had no control, there were those who thought that the groups in Lebanon were truly independent, and autonomous and would not respond to any country's pressure, and there were those who thought basically this was a Syrian matter and only the Government of Syria could effect the release of hostages.

So I thought that we had, in fact, learned that the Iranians had a considerable degree of control over this.

Now, I want to make sure that I get this information coming to you in the most coherent structure. Early in September, when North was brought into this,

[redacted]

His primary interlocutor was a guy named [redacted] as it

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turned out. I spoke to other people, as well.

From these conversations, we were able to confirm the nature of his contacts and the fact that the Iranians were really working on this question.

Now, Ghorbanifar gave me a verbal account of some of the things that he had done in connection with the release of Weir and actions taken by the Iranian Government in order to get this done.

One of the things that led me over time to come to believe that Ghorbanifar was reliable and was someone that we could and should work with was that his verbal account of how the release of Weir had been obtained [redacted]

Since you will be in a position to look at this, it -- the story that he told me was that he had gone to Tehran -- and don't ask me for the specific dates, because I will never be able to remember this, but the basic story was he went to Tehran, started talking to people, [redacted] and the president, whatever his name is. Excuse me for blocking on this well-known ~~place~~ commonplace name.

And three of them were trying to generate motion to get one or more hostages released. This effort runs headlong into conflict from the groups themselves in Lebanon who were the Hizballahs who were extremely reluctant to do this and from other people inside the Iranian Government, primarily those

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around the revolutionary guards.

This escalates to a full-scale internal fight which can only be resolved by Khomeini, because the elements themselves were not in a position to resolve it. No possible compromise could be achieved.

The degree of compromise would be, say, one hostage rather than three or four or whatever. On the issue itself was at least one hostage to be released, they could not work it out themselves.

So this went up to the old man who personally said that the release was to be done.

Q What you are relating to me now is what Ghorbanifar told you?

A What Ghorbanifar told me.

Ghorbanifar then said the group of them went outside Tehran, up to a place closer to the Lebanese border, that the leaders of the groups in Lebanon were called to Iran for discussions, that they were reluctant to do it and they had to be convinced to do it, that they finally came and discussions were held and they were quite heated discussions and they finally went back and did what they were told to do by the Iranians, namely, produce one hostage.

Now, the political model of that checked out over time. It was coherent with everything that he had told us [redacted]

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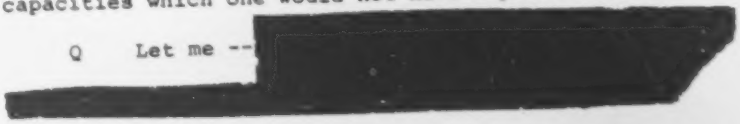
This was the beginning of the process which over time led me to conclude that Ghorbanifar was indeed a person with whom we could and should work because in my experience at least on a series of significant occassions, his story checked out, and it was a story which in almost every case was a bit of a surprise.

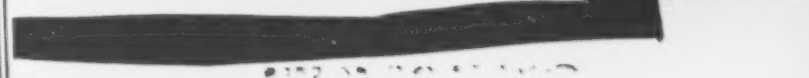
It was not what I expected to hear, what we could have expected to hear. It was unique insight. As I will show you later on when we get to October, November, December, capacities which one would not have expected to find.

Q Let me --



A Yes.

Q. I guess you had access either to



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A Yes.

Q I want to ask you just a couple of questions about North's initial involvement when he first became involved. You indicated he had put together [redacted] What do you mean by that? What is it that he did? Who did he task?

A I don't know how he did it. I was surprised that he had done it. Probably would not have occurred to me to have done it, but in any case, he had put --

[redacted]

Q Did -- excuse me. My question just drifted out of my head.

A That is all right. When I remember the Iranian name, I will spit it out. Khameini.

Q Was he involved at this time with other intelligence officers?

Was he involved in putting this together to your knowledge with individuals from the CIA,

[redacted]

A

Q

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A [redacted]

Q And you saw it?

A And the President and the Vice President. And I saw them, too.

Q And I take them McFarlane saw them?

A Absolutely.

Q Who else was in North's -- was anybody else working with North at this time?

A No.

Q Do you know why it was that someone inside the National Security Council was assigned to be responsible for I think you phrased it getting the hostages out or being responsible for following up on it when the hostages came out? Why was it Oliver North from the NSC was assigned to that role?

A Because it was a project which would have required the coordination of several branches of the government and this kind of coordination is traditionally done by the NSC. That is its task.

Q I just wish I could remember what it was I was going to ask you. I can't.

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A Well, I am going to be here for a while.

Q It will disappear out of my head, I am sure.

A Is that it for the moment?

Q Yes. That is it.

A So we had then the next meeting of which I have a record or a clear recollection is -- takes place in Washington, the first week in October, according to the Tower Commission report, this is the eighth of October. I will point out to you that in my earlier testimony, I have placed this meeting in November.

However, it is the one that is listed on North's calendar as the eighth of October and it actually makes more sense to me in many ways if that date is taken as correct. So I am going to accept that date.

Ghorbanifar, Schwimmer and Nimrodi came to Washington for this meeting. This was because on the fairness principle that I had had to travel to all the previous meetings, it seems only fair that for once we can have one where I lived.

Q I take it as of this time you were the only American official -- and I guess you were an official, to the effect you were a NSC consultant, who had met with Mr. Ghorbanifar?

A Yes. After living in Italy all those years, the verbal is much less important than the gestures.

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They came to Washington, and we had a --

Q Let me just, since we deviated, I lost my train. We are talking October 8, Schwimmer, Nimrodi and Ghorbanifar?

A Yes. No Kimche at this point.

Q No Kimche. Okay. Was there a reason there was no Kimche?

A I think he wasn't available.

He had other responsibilities.

Q Had you called for the meeting? I mean, had Mr. McFarlane indicated to you a meeting was necessary or how did the meeting develop, I guess is the way I want to ask the question.

A It was clear we had to meet after Weir came out because we had to evaluate where things stood and what, if anything, we were to do in the future.

Q Okay.

A We met in the Executive Office Building -- Old Executive Office Building, and although the Tower Commission has drawn the conclusion that North was present at this meeting because he had it on his calendar, I am quite clear in my memory that he was not present at the meeting. My recollection is that in connection with this meeting, I had introduced Schwimmer to North because Schwimmer had asked to meet North and North had said he was happy to meet Schwimmer. So I introduced them.

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My recollection is this would have been either the day before or the day of this October 8th meeting. It says on North's calendar according to the Tower Commission that this happened earlier in September. I am not sure which is correct, but in any case, by the time of this meeting North and Schwimmer either had met or did meet.

I think that is the important fact.

North did not attend these discussions, was not present at them. He was told that if he wanted to attend, that was fine, but he did not. He was busy the whole day.

Q Was he told that by you?

A Yes.

Q Was there any discussion about whether he ought to attend?

A No. He was so deeply involved in this thing, [redacted] and what-not, that I thought among other things it would be a good idea for him to meet Ghorbanifar so he could get a sense of Ghorbanifar for himself, personally, because this was one of the major things that had to be evaluated, whether Ghorbanifar was reliable or not.

In any case, he was invited and did not appear, and we spent -- this meeting went on all day, several hours in the morning. We ate lunch there, and several more hours in the afternoon.

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The conversation dealt with the basic two questions. Ghorbanifar conveyed from his Iranians the promise of more hostages for weapons. Clearly now, as it had not been in the original context, but clearly now a matter of hostages for weapons.

And all kinds of weapons. Weapons, some of which I had heard, some of which I had not heard. I did not know. I must tell you I am not particularly well informed on the subject of weaponry. It is not my field.

But he talked about everything from Phoenix missiles to Sidewinders to harpoons, Hawks, TOWs, everything known to man and many things --

Q Not known to that man?

A Not known to this man, anyway.

I jotted these things down so that I could describe it. There was also considerable discussion of future contacts with Iranians willing to cooperate with the United States Government in order to change the policies of that regime and he gave us names of individuals and promised to arrange a meeting with one of the most important of these in the month of October. And I stressed that I thought this was probably the most important thing that he could do then.

I expressed at the meeting a strong personal antipathy to any further discussion of hostages and weapons.

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The Israelis were quite eager to pursue the matter of weapons for hostages, and, in fact, accused me at a certain point of being indifferent to the fate of my countrymen.

And I said, look, in any case, it wasn't going to be my decision to make. I was just expressing a personal antipathy to this business, but that I would report what their feelings were.

I asked Ghorbanifar what his feelings were. And he said that he, in fact, agreed with me that he thought it was a mistake to get involved in the matter of the hostages and said that if we get involved in this, we shall all become hostages to the hostages.

We shall not be able to do anything except this, and this will then become the one and only subject.

I reported on this discussion --

Q Before you move off the discussion, let me just ask you a few questions. Did Mr. Ghorbanifar -- was it clear from what Mr. Ghorbanifar said that he wanted either the United States to supply the weapons, Israel to supply the weapons, or didn't care as long as he got the weapons?

A That question never came up.

Q Are you the only American official who attended this meeting?

A Yes.

Q Was there any discussion about a phased hostage for

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arms release?

A There may very well have been. That is one of the questions I have here in my notes.

Q As --

A On some of -- on at least one of those occasions, there was certainly such a discussion, so many weapons, so many hostages, so many weapons, so many hostages, a kind of alternating swap.

Q Do you have a sense just so that I can put it in my head about how much or how many or dollar value of weapons that he was talking about at that time?

A I can't help you with that, because I did not and do not know what these weapons are worth.

Q Right.

A I don't know what a Hawk missile costs.

Q Had you ever, just to ask a slightly different question, by this time you are a NSC consultant who is negotiating directly with people who are in contact with Iranians or involved with one of the most sensitive areas that the Government was involved in around that time. Had you ever done something like this before?

A Well, I won't agree with your characterization. I would not describe what I did as negotiating. I did not negotiate.

Q I will take out negotiating. You were involved in

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discussions about?

A Yes. Had I had sensitive discussions with foreign leaders before?

Yes, I had. I ~~have~~ done that for the Secretary of State, and I had done it even several months earlier for the National Security Advisor.

Q In a different context?

A Well, the letters that we have talked about brought me into contact with people who -- with whom I discussed subjects of considerable sensitivity.

Q Do you know whether by this time anyone at the National Security Council had checked on other sources about the reliability of Mr. Ghorbanifaar?

A Well, I had discussed Mr. Ghorbanifaar with the Israelis and the Israelis were, as I was, still at this stage ambivalent about Mr. Ghorbanifaar. They felt on the one hand that he surely had very good contacts. On the other hand, they were suspicious of him. They thought that he might be in this simply to make money.

They thought, as I thought, that he might simply be some kind of a provocateur, some kind of Iranian scheme whether to simply fool us or to expose and embarrass us.

We didn't know. But there was no great enthusiasm about Mr. Ghorbanifaar at this stage from any quarter. I

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would say that none of us was prepared at that point to give any kind of strong endorsement to Mr. Ghorbanifar except to say that to date his performance had been by and large consistent with what he had said that he could do. And as I have said before about this matter, the issue was not to do a moral evaluation of Mr. Ghorbanifar, but to see whether he could do things which were, after all, in the national interests of the United States.

And to date, his performance had been quite satisfactory.

Q Okay.

A So after the October 8 discussion, I had -- at least one conversation with McFarlane describing this to him and describing in detail what the Iranians were asking for in order to provide further hostages. And I said to him surely by this time, if not before, but more likely after this meeting, because it is the logical time for this conversation to have occurred, I asked him to, number one, get me out of the hostage business, an expression which I would use several times with him in the future, and I asked him to instruct me and to instruct the Israelis in sofar as he could do that to drop the entire subject of hostages from our contacts with Ghorbanifar and any other Iranian and that this subject just be shut off because, I said, Ghorbanifar has said that he can get us contacts with important Iranians

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and that is the subject of strategic importance to the United States, because what we need to know are the intentions of these Iranians. Do they really wish to have better relations with us?

Do they seriously wish to change the policies of that regime?

Can they do it? And is that achievable?

This is the strategic interest. The matter of the hostages not only is a secondary or tertiary question from the standpoint of American policy and American interests, but it makes it impossible to answer the fundamental questions about the strategic interests, because so long as the Iranians are able to obtain weapons from the United States as a result of this dialogue with us, they will say anything and they will do anything in order to continue to get these weapons, and so long as that pipeline of weapons functions, we will never be able to evaluate their real intentions.

But it is their real intentions that we must be able to evaluate. So for God's sake, shut down the whole hostage question and let me deal with the political issue and see what is there.

Q How did McFarlane respond?

A He agreed, but he agreed too much. That is, he said not only did he agree that the whole hostage question

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was a bad question, and he used the expression "I have a bad feeling about this whole operation", and he said that his intention was to shut the whole thing down.

And I asked him not to shut the whole thing down, but to let the political thing go ahead. And he said, well, he would look at it, but that at the moment his intention was that he wanted to stop the entire thing.

Meanwhile, probably shortly after this conversation with McFarlane or perhaps shortly before Ghorbanifaar had told us that a meeting with a senior Iranian official had been arranged in Europe and I told this to McFarlane. He approved the trip for me to go and meet with this person.

So I met with this person and that was -- this person plus the usual suspects.

Q I sometimes lose who the usual suspects are.

A That is everyone including Kimche, Schwimmer, Gorbanifaar, Kimche, and me.

BY MR. VAN CLEVE:

Q Could we get a date for this?

MR. WOOLSEY: Let me interject one thing, if I may. May we do it off the record?

(Discussion off the record.)

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Mr. Eggleston. Back on the record now.

The Witness. So we had conversation with -- well, how did we want to handle this?

Mr. Woolsey. There was a meeting in Europe.

The Witness. There was a meeting in Europe with a senior Iranian; and the senior Iranian indicated to us that he and a substantial number of his countrymen wanted to work towards an improvement in the relationsip between the United States and Iran, that they were willing to engage in a considerable degree of cooperation with us.

He provided us with considerable information about what was going on inside the country. And he said that he believed that with proper support and cooperation from the United States, that a significant degree of change could be achieved in Iran peacefully through elections.

He thought that he and his people were sufficiently strong, that they could place their people in a series of key positions in the government, and that one way in which that could be helped would be little ways in which we could demonstrate that he had the support of the United States, since this would carry weight inside Iran and show his people that this was, in fact, the case.

He offered to establish not only a close working relationship, but a secure communications channel. And he asked if we could provide him with secure communications. So

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we could be in regular contact with him so he would be sure what he did was in sync with what we thought it was desirable to do, and he could ask for advice, provide us with information and all those other things.

At the conclusion of our conversation, he provided me with a document, a signed letter which expressed not only his willingness to cooperate in various ways in which he would cooperate, and the kinds of objectives that we might achieve together, but also the names of all the other Iranians who felt the same way, and for whom he spoke, and who would do this. And he asked that we check with the American Government, and make sure that this project would go forward, that we should meet again within 30 days, and that if everybody agreed to this, then we could go forward with this cooperative program.

BY MR. EGGLESTON:

Q Are you about to move off the discussion that you had with him?

Once again, if you are, then I have more questions.

Was there any discussion of arms in that conversation?

A Yes. The discussion of arms in two contexts. He was vociferously opposed to what had been done in providing weapons to the Iranian regime over the course of the past couple of months, said that all we could achieve by sending

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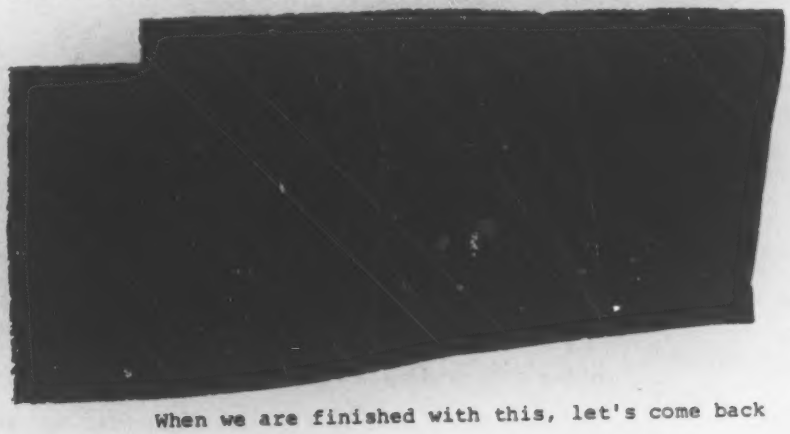
arms to Iran was to strengthen the Khomeini regime, which was the opposite of what he thought we were about, and said that this was a terrible thing, and had cost them the possibility of achieving a significant advance in that period, since those people had been weakening, and the arms shipment had, in fact, ~~strengthened~~ strengthened them. So he did not like that at all.



When we are finished with this, let's come back and talk about how to handle all this information, but fairly fully for the moment, and go back and look at it.

We may wish to take a good deal of this off the record, but anyway, it was made clear to him in this discussion that he was dealing both with Israelis and Americans, and he was under no illusion about that. He knew who the Israelis were, and he knew that I was an American.

Mr. Ghorbanifar did the translation. This gentleman spoke only in Farsi. We spoke only in English, but Nimrodi

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was present and said that the translation was reliable.

Q The other communication channel, the secure communications channel I was interested in, what did you understand him to mean by that?

A He wanted some safe way to communicate with us, not by open telephone line.

Q But did he mean a secure phone line, or did he mean an emissary?

A No, he meant either radio communications or a secure telephone line, something like that.

Q Okay.

A I returned once again and reported to McFarlane, and this would be early November; and I said to him again that this was precisely the kind of thing that we should be looking for, and that this was what had to be evaluated, because we had to be in a position to evaluate whether he and people like him were for real, and again I said that, I have even used this guy to support my previous position on weapons and hostages. I said, here is a person who says quite clearly, and he is right, if you send weapons to Iran, you end up strengthening those bad people, and what we should be trying to do is to weaken those people.

I should interject at this point that in the earliest disucssions I had with McFarlane and the subject of Iran, before I went to see Peres, I had said that it was my view that

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whereas a lot of people in the government said that we should be planning on what to do after Khomeini died and that was the problem to resolve, that my view of the situation was that we should act to deliver some kind of blow to Khomeini before died, if that was possible, because if we waited for him to die, Khomeini was going to pass as a legend. And the legend was going to be for the whole radical Shiitism all across the world, from Iran to Indonesia, Malaysia, Detroit, whatever you want to get from the Western World, all you have to do is kill enough of them and they will eventually do what you want.

And that is exceedingly dangerous, to permit that legend to remain unchallenged. And if we could find a useful way to do this, that we should try to do it. And he agreed, and said, what we all said at that time; namely, the problem we have, however, is that we do not know enough about Iran to be able to evaluate any possible policy alternatives.

So I reminded him of that original discussion, and when we spoke in November, and I said, it now appears for the first time that we may have a real possibility of developing enough contacts with people inside of Iran, not people who are by our standards moderate or progressive, or even particularly admirable, but they are people who it seems would represent a consideration improvement in

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the behavior of Iran, and would enable us to develop our contacts, leverage, influence over that country, which is something we should certainly be looking for.

And I said, that Ghorbanifar had said that of this sort of person, there were many that he could arrange to have us meet, and he did not wish to be the intermediary in those relationships, that he wanted to introduce us to them and get out of the way so we could pursue this relationship ourselves, and he would not suspect us of being involved in all those contacts for his own purpose. And he said to McFarlane, I thought it was urgent that we pursued this contact. I said another thing.

I said, if we are going to pursue this contact and others like it, that this could not possibly be done by me or even by the NSC, because once we moved from the level of research projects, and occassional meetings and contacts, to a stage where we might start talking about secure communications, regular meetings, a variety of contacts, so forth, At this point only your professional intelligence service could do that. The NSC couldn't do it. I certainly couldn't do it. I didn't have the time, couldn't afford it, so he would have to in my opinion, address the question if this was going to go forward, he was going to have to decide what professional intelligence service was going to it, and I urged him to think about that.

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Q Was Kimche at the meeting?

A Yes.

Q In your room?

A Yes, he was. I never received a response.

Q Was that an oral conversation you had with him?

A Yes, never received a response. Either then or at any subsequent date, either from McFarlane or anybody else.

Q During this period of time, were you also briefing Colonel North on these conversations?

A I did not brief Colonel North on this conversation.

Q Did you brief Colonel North on any of the other meetings that you had?

A Yes, and I subsequently told Colonel North about this conversation; but I did not tell him right then there.

Q Were you briefing anybody else at the NSC besides North and McFarlane?

A I don't think so. I saw Fortier very occasionally.

Q Poindexter?

A No.

Q I guess not.

A But I saw Poindexter as, on some occasions, when he was deputy. We had lunch together a few times in the White House mess; we shared a common passion for computer software and so we met to compare notes on the latest in computer software, and during the course of those conversations, we

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also discussed a few serious things,but mostly about computers.

Q Okay.

A I then received a call in late November from Mr. Ghorbanifar around the 25th or 26th of November, telling me that he had an urgent message from the Prime Minister of Iran to give to the President, and the message was, in essence, we have been very patient with you people. We have acted in good faith throughout. We have done everything we said we were going to do, and you are now cheating us, and you must act quickly to remedy this situation.

I brought this into the White House, found McFarlane not present, he was off at the summit, and was invited to tell Poindexter about this.

I went in and told Poindexter, gave him this message Poindexter responded by saying thank you, and he wrote it down. And he said, you are being taken off this project, at least temporarily, because we now need people with greater technical expertise than you.

I interpreted this message to mean, Ghorbanifar said something like, there had been a terrible screw up in connections with a delivery, which I took to mean a delivery of weapons, following from these discussions earlier, and I took Poindexter to mean that there had been some mechanical error of some sort.

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I subsequently found out what happened.

Let me just finish one last thing. And I said to him, fine, because I didn't want to be involved that business anyway. I said, however, the other business, I said, is something that I want to remain involved in; and I named the person with whom I had met in Europe.

He just gave me a blank look, and that was as best as I can recall my last conversation with Admiral Poindexter about the subject.

Q You have subsequently learned, for example, in November 19, 20, 21, 22, something, the time period immediately prior to the conversation with Mr. Ghorbanifar, about the delivery of weapons, did you have any knowledge of that at the time it was taking place?

A Not at the time it was taking place. I had an impression that these conversations were going forward.

I have strained mightly to remember anytime that I may have heard somebody say, okay, do it, or it has been decided, but I have no recollection.

Q During this time period, November of 1985, how much time were you spending at the old Executive Office Building?

A I may have been spending as much as 2-1/2 days a week there.

Q Did you have an office there?

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A No, I worked out of Colonel North's office. I had no office, and I had no desk and no files.

Q If you went there [redacted] would you sit right in his office?

A Yes.

Q Did he -- okay. As of, and this again is for example, to your knowledge, as of November 25, do you know whether any American official other than yourself had ever met Mr. Ghorbanifar?

A As far as I know no other American had met with Mr. Ghorbanifar.

Well, let me put it somewhat differently. No, in the context of this affair. I was aware by then that Mr. Ghorbanifar had on at least two previous occasions met with officials of CIA, once in 1980, and once again in 1984.

Q How did you come to be aware of this?

A He told me.

Q Did you inquire at the NCSC or the CIA about those contacts?

A I mentioned them to North. I informed him that Ghorbanifar had failed to take polygraphs in the past with CIA, and he had a very bad feeling about CIA, did not like CIA.

Q How did Colonel North respond?

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A He said he shared Mr. Ghorbanifar's evaluation of the CIA.

Q Do you recall approximately when that -- when that coversation was?

A No.

Q Would it have been prior to November 25 or 1985? Sometime in that period, October-November of 1985?

A Yes, it could have happened as early as September.

Q Okay.

A So I was removed. I was then immediately taken out of the intelligence. I ceased to read [redacted] wasn't asked for input, wasn't told what was going on, just the whole thing came to an end. I informed Kimche that I had been taken out of this, so he could tell Schwimmer and Nimrodi. And the next I heard from one of these people was mid December when Ghorbanifar called me and asked if I was planning to be in Europe,and I told him I was planning to be in Europe in mid-December. And he asked if we could meet for dinner.

I agreed to that, and we had dinner together in Geneva.

I was in Europe on other matters, in ~~this~~ case. We had a long conversation in which he complains that they had given him a new person to deal with whom he did not like, a Polish gentleman, as he called it.

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Q This is the new person to deal with is the person who took your place?

A Yes.

Q Do you know who this was?

A I have only a guess.

Q What is your guess?

A My guess is it was ~~secret~~. Ghorbanifar says that---

Q I was laughing at the description of the Polish person.

A I believe whoever it was that dealt with him used a Polish name. You must remember that these gentlemen almost never use their real name for anything, so that the name Ghorbanifar was given as a Polish name.

He said that he would prefer to deal with me. I told him I had nothing further to do with this matter, and would not.

He then said that he felt strongly that the United States should, they even if that venture were going to be dropped, that the United States still had to come to grips with the problem of Iranian-sponsored terrorism, and how to combat it. And I told him that was a matter on which I could legitimately talk to him. He said that he had a considerable amount of information about Iranian-sponsored terrorism, and for that matter Libyan terrorism as well, and that he would be willing to cooperate with the Government of

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United States, even with the Central Intelligence Agency, and he then told me in greater detail than he had before the story of his two previous polygraphs, with CIA, in which he said that he had indeed lied in the course of those polygraphs, because he was compelled to lie, that there were questions which he couldn't possibly be expected to answer truthfully to these people because they were asking information about his family, some of his activities which he wasn't prepared to tell them about, but at this point he would be prepared to sit down with them, go through all of that and explain to them why and how this had all happened.

In addition, he proposed an operation having to do with Libya. He had developed a channel to Qadahfi, and this channel had introduced Ghorbanifar to Qadahfi as a person particularly well connected with the Mafia, and therefore in a position to carry out Mafia-type activities.

Qadahfi had said that the was willing to pay a large sum of money for the assassination of Mr. Al-Mugarief, the main exile opposition leader in Libyan politics, sometimes in Cairo, sometimes in various places in Western Europe.

What Ghorbanifar proposed to us was that a mock assassination of Al-Mugarief be staged, complete with a mock funeral, burial and so forth. That at this point, Qadahfi promised to do a favor in return to the presumed Mafia,

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so that once this funeral were staged, Ghorbanifar would then ask the Libyans to provide them with their contacts in Western Europe, so that he could use them to go after his presumed political oppoents, Iran's presumed political opponents.

He said, therefore, this operation would achieve two results. It would in the end humiliate Qadahfi because at some weeks afterwards, Mr. Al-Mugarief would throw a surprise party and emerge publicly and said I was not killed. Qadahfi thought he had killed me, but he hadn't. Indeed, we took him for money and made a fool out of him, et cetera, and at the same time expose the European network of Libyans because the presumed Mafia would by then have been entitled to go back to Libya and say, okay, give us your European people in Western Europe, and the Libyans would have provided information about their people there as well.

Well, that sounded like a good idea to me. And so I came back to Washington, and reported this conversation to North, who thought that was a fine idea, and therefore, I went over to CIA and reported it to the counterterrorism people, Charlie Allen and Clarridge.

Q Did you report it to anybody else other than the CIA?

A No.

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Q Anybody else at the CIA other than Clarridge, and who was the other one?

A Allen.

Q Allen?

A Yes, I reported it to Casey.

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[redacted]

Q Let me just back up for a second, since you are going into a new area. At the dinner that you had with Ghorbanifar in Europe, in mid-December, was there any further discussion with him or any decussion with him about the arms delivery that had taken place in November?

A He gave me an account of that story.

Q Did the Polish person come up again?

A He just said there was a Polish person. I didn't know who he was talking about, and I said, look, if you want to work with him, if you don't, don't.

Q Did he tell you what had gone wrong with the shipment?

A He told me that there had been a shipment of 18 Hawk missiles which were no good for two reasons. First, they were the wrong kind of Hawk missiles. They didn't fly high enough. And secondly, they had Israelis markings all over them which the Iranians took to be a ~~provocation.~~ provocation

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Q Did he tell you anything about the financing of the transaction?

A No.

Q Did he tell you anything about the mechanisms of the transportation?

A No.

Q Okay, let me, and I am going to ask a question not because I want you to repeat the Tower Commission, but I seem to recall a little paragraph about Schwimmer opening an account at the Credit Swiss around October, and the Tower Commission reports that he gave you an account number and you gave an account number to North; is that correct?

A Yes, around the time of the conversation with the Senior Iranian official, we talked about the possibility that it might be necessary to provide people like him with some expense money, or something like that from time to time, and it might be a useful idea to create an account in the event that became necessary. Then we wouldn't suddenly have to create an account on the spur of the moment. So with this contingency, an account was opened.

Q Did you know the name of the account?

A No. What I knew was that I, my name was not on the account. I wasn't entitled to draw on it.

It was an account that Swimmer opened, and he gave me the number of the account.

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Q I take it you don't have the number?

A No. Onwards?

Q Onward, so we are at the point where you called Mr. Ghorbanifar?

A Ghorbanifar came to Washington, this was, I think, between Christmas and New Years. He came to Washington, came to dinner at our house one evening. We had a long dinner with Charlie Allen talking about Iran and about terrorism.

Q Charlie Allen came to your house for dinner as well?

A Yes, I think that is right.

Q Excuse me?

[redacted]

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[redacted]

In any event, [redacted] promised if Mr. Ghorbanifar were willing to come back to take a polygraph on the previous two polygraphs, that he was sure that this unpleasant misunderstanding in the past could be quickly cleared up, and that the only reason he was asking for a delay was because he wanted to make sure that A, they had a Farsi-speaking polygraph operator conduct the polygraph so it would be as easy and as pleasant for Mr. Ghorbanifar as possible, and that this older experienced polygraph operator was unfortunately on vacation at the moment but would be back somewhat late, and could Mr. Ghorbanifar possibly return. He said, yes.

With reference to what is written. The memorandum which allegedly describes the conversation we had at my house with this person [redacted] I do not remember -- it is in the Tower Commission report -- I do not remember any discussion of an alleged $200,000 overcharge going back to pay off Iranian Government officials.

His statement attributed to me that I had met with Ghorbanifar some 20 to 30 times is false. I could

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never have said any such thing, because as you see from this account, one might possibly get up to, what, seven or eight meetings but 20 to 30 is the wrong order of magnitude entirely.

There was no suggestion in that memorandum, although it may well have been edited, that the reason for the conversation, and the fundamental subject of the conversation was terrorism. So the conversation that I remember and the one that [redacted] remembers are very different, one from the other. That is all I can say.

In any case, Mr. Ghorbanifar did return early in January, and had his polygraph.

What I had been told about the polygraph and there was quite an explicit understanding, was that the sole subject of the polygraph was to be the two previous polygraphs that he had taken. They were not to introduce new subjects. Above all, they were not permitted to talk to him about any possible recent contacts he had had with American Government officials, or things that he may have done in connection with the Government of the United States, that this was to be a low key, non-hostile environment, that it was not to be the senior polygraph operator speaking in Farsi, and that they would make the results of the polygraph known to us, to me, as soon as they had them.

Now, so far as I can tell, not one of these conditio

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was adhered to.

Q Do you know this from conversations with Mr. Ghorbanifar?

A And from the CIA, intelligence agency.

Q Do you know who conducted the polygraph?

A Don't know the name, but I have been told by several people, including Mr. Ghorbanifar, that it was all in English. It was a young polygraph operator. It lasted for five hours and he was quite distraught at the end of it.

They asked questions, some of which they have even repeated in the Tower Commission report, which clearly violated the guidelines of what had been reached.

Q When were these guidelines?

A In conversations between me and [redacted] and Mr. Ghorbanifar.

Q At your house that day?

A Yes. To complete an otherwise perfect record, [redacted] then disappeared once the polygraph had been given and never reappeared. I only learned the results of the polygraph from other persons at CIA, and through Colonel North who told me just as I told you. And he had, they will make sure that Mr. Ghorbanifar does not pass this polygraph, no matter what he says.

Q Did Colonel North tell you why he thought that

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would be the CIA reaction?

A Colonel North thought that they did not wish to work with Mr. Ghorbanifar.

Q Did he indicate to you the reason he thought that the CIA was unwilling?

A Yes, his belief was that since Mr. Ghorbanifar was not theirs, they had not found him, they had not recruited him, that it was a person who had worked with me and not with them, that they would not want to have anything to do with him.

Q Had Colonel North met Mr. Ghorbanifar by this time, to your knowledge?

A Not to my knowledge. No, wait, he did. He came that night or another night to my house. He met Mr. Ghorbanifar at my house in this period.

Q Either some time in late December, or early January?

A Yes.

It turns out that I know he had met Mr. Ghorbanifar in London in December, but I had not known that at the time and had not known about the December meeting that Mr. McFarlane had with Ghorbanifar, and Schwimmer. That is the basic story. From time to time, as I became aware that the arms for hostage business was going forward, I expressed my contrary views to a variety of officials of

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the American Government, always in the same terms; namely, number 1, this is a mistake. It is wrong to do this. It is a mistake on its own terms; but even worse, it is a strategic mistake because it has turned the whole idea of what to do with Iran backwards, inside out.

Q Who did you tell this to?

A I told it to North. I told it to Casey, to Gates, later on to Weinberger and I attempted repeated to tell Poindexter, and later on in the summer on Weinberger's recommendation, I tried to brief Shultz and was unable to get an appointment. I told Peter Rodman.

Q Who was at the NSC at the time?

A Yes. I always stressed that we had, in my opinion, inexplicably walked away from the possibility of asking some very serious questions to some important people in Iran, and that these contacts which had been developed were never pursued. Now there were other contacts that were never pursued because Mr. Ghorbanifar offered to CIA to bring them into direct personal contact with the, let's call him an official, one of the leaders of the Islamic Jihad organization who had written this statement, biographical statement with the knowledge that it would be given to the CIA and Mr. Ghorbanifar offered to introduce a CIA person anywhere in Europe. This was rejected. Mr. Ghorbanifar offered a series of similar contacts that Iran was sponsoring in Western

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Europe, all those contacts were rejected. [redacted] So a series of interesting opportunities was declined.

What bothered me most of all was the fact that starting with the senior official that I had met and the prospect of meeting more, there had been no response from the American Government across the board to what seemed to me to be the only really serious strategic objective that came up in the context of this entire affair.

It had always appeared to me to be the thing about which we should care the most. I thought it was exceedingly promising, and I cannot ~~phantom~~ fathom why it was never pursued.

A Right.

Q I have a number of additional questions; does this eventually end your involvement in the initiative?

A Yes.

Q And so it ends in about mid-January of 1986?

A Well, my involvement in the Iran initiative ends on that day in November when I spoke to Poindexter. My involvement with, I from time to time was asked by various CIA persons or North to call Ghorbanifar, urge him to get in contact with one person or another, or say would you please

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do this thing that you have been asked to do, and I continued to do that. I continued to see Ghorbanifar, and do today. I like him. He is a great source of understanding for me, and I like him.

Furthermore, in September when we met, he told me the story by which he may well have been fooled, the Khashoggi story of the alleged Canadian financiers, that he invented, I will only say he may have invented the story about inventing it. It is equally possible. This was a case where you have a document that I produced as a result of that, this was September, and Ghorbanifar said these Canadians were going to go public, and they had ways of going public, and that if the Government of the United States was serious about not wanting this whole thing to come out, that it should deal with this matter. So I reported this to Casey. And Casey said that yes, he recently had spoken to Roy Furmark about this, and Furmark also said he thought it was serious and Casey was concerned, and what should I do. And I said, look, I wasn't, this was not my problem.

I hated this whole thing anyway. And so he asked me to go talk to Charlie Allen about it, which I did. And Charlie asked me if I would write a possible damage assessment in the event that either Ghorbanifar or one of the Canadians, or somebody else, decided to go public with this story,

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because I had found Ghorbanifar, also said that his relationship with CIA had become impossible, that he thought they were capable of anything, and that he had arranged, in the event that anything bad happened tomorrow, to have the entire story told. And he had given versions of it to various people in different parts of the world so they should give this to the press if he were to die in some inexplicable way. And I asked him, what if you die in an explicable way, and he said, he didn't know what would happen then. But in any event, I took that seriously, and said so. And I wrote a memo to Charlie, reiterating my conviction that this whole thing had been a mistake from the very beginning, stressing we had promising contacts which I thought should have been followed up and hadn't been, and here was the state of affairs and what could one do; and I proposed again that he go back to the two basic things which I thought were at the core of this entire business.

[redacted]

[redacted]

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[redacted]

Q Let me return to a question in your chronology for a second. [redacted]

A Which confirmed the position?

Q ---confirmed that he was a person worth dealing with, was there anything [redacted] that would have supported your view that he was a particularly worthwhile character, as there had been with regard to Ghorbanifar and other people earlier

A Well, no. Not that I know of. [redacted]

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[redacted]

I am not aware of any detailed conversations that he had with that person that I met. However, I would also add by the extent of his position, he was such a well-known personality that the desirability of a working relationship with such a person was intuitively obvious. You would not have to go to any arcane methods to confirm that. He was and is an extremely powerful person.

Mr. Eggleston. If no one else has an objection, I would like to take a five-minute recess?

(Brief Recess.)

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(Back on the record.)

BY MR. EGGLESTON:

Q You have taken us through the chronology. I have a number of other questions, and we will be jumping around in some nature, and in that sense, let me start with the time period that you have just given a little bit about.

This is the time period sort of from September 1986 through November of 1986, as things start to come out. You have indicated that you had conversations with Mr. Ghorbanifar in September of 1986. Did he indicate to you at that time anything about a pricing problem that resulted in a short-fall of money to him?

A He indicated that he was having banking troubles, but he did not go into detail.

Q Okay. He told you the story about Khashoggi and the Canadian investors and the pressure?

A He told me the story about Canadian investors, not about Khashoggi and Canadian investors, but he referred to Canadians.

Q Other than he is having a banking problem, he did not tell you the name or specificity about a pricing problem or he had not gotten paid by anybody?

A Well, he said he lost a lot of money himself, personally, in all of this, and that the American Government should somehow make it up to him, and said he could cut out

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of this whole thing, but he said just out of concern that the future of this whole operation not be jeopardized, that the American Government had to address the Canadian crisis.

Q Did he indicate to you how much money he had lost?

A No, he said the Canadians were owed $10 million.

Q He did not indicate how much money he personally lost?

A No.

Q He did not tell you that unless he was made whole, he would go public or anything along those lines?

A No.

Q YOu had said then that you spoke shortly after that with Mr. Casey who told you about a conversation with Roy Furmark; could you relate what is it that Furmark had told Casey as Casey reported it to you?

A He said basically Furmark had told him the same story, or a similar story.

Q About the Canadian investors?

A Yes.

Q Are you, did you remain involved into early November, or into November of 1986, where you were around talking about these issues after the story was released in the Beruit newspapers?

A I was in Europe when the story came out.

Q Not on a matter related to this, I take it?

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A No, I was in Europe on private business.

Q Okay, did you, and how long after that did you come back to the United States, if you remember?

A Three for four days.

Q Did you talk to either Ghorbanifar or anyone about the story that had been raised?

A To North.

Q What did he say?

A I told him that I thought I was in an ideal position to publicly defend the Iran policy, since I was only involved in a period prior to 1986, and that there were no questions about activities of the American Government or anything else that could possibly embarrass me, because I did not know about them. But I could speak to the genesis of the project, and the fact that it had a strategic, serious strategic objective, and that, and I could defend that objective on the concept of the policy. And he said that I should not do that, that the White House did not want people doing that, and unless I was specifically authorized to speak publicly, he wished that I would not. So I did not. And I sat around, did next to nothing for a week or so. I called Mr. Kheel whom I had not met before, and told him---

Q Why did you call Kheel?

A He was the National Security Advisor.

Mr. Woolsey. By this time.

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The Witness. After North resigned.

Mr. Woolsey. I mean Poindexter?

The Witness. Poindexter resigned. North was fired. I called Kheel and said I understood people were in the process of putting together some kind of chronology and there was, after all, a part of this that I thought, so far as I know, none of the other people knew in any detail, and I was a bit surprised that no one had asked me to participate in the preparation of this chronology.

BY MR. EGGLESTON:

Q How did he respond?

A He said by all means, give us your chronology. And I sent it to him.

Q You subsequently learned that the work on the chronology began before North and Poindexter left their points?

A Yes, I had a couple of conversations with North, and there was one occasion in which North and McFarlane came by my house to talk about these questions. I wasn't interested , I was trying to in my own mind reconstruct what had happened, and McFarlane and I had a brief coversation in which he said in essence, look, don't get too far out in front on this matter. He said, all these decisions were my decisions. You were not negotiating for us, representing us, so forth.

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I said, look, I have nothing to be ashamed of. I am happy to tell people what happened. I thought it was a good idea. I am sorry it wasn't followed through. Basically, I have no problem. And then North and I, at one point, had a conversation.

He was concerned because the Attorney General seemed concerned about authorization for this November shipment. And North asked me if I ever authorized or remembered anybody authorizing a shipment of some number of Hawk missiles to Iran in November of 1985? And I said, I didn't. He said, clearly it happened someway or another. But I did not remember how it happened or who, if anyone had done it. So I said I had no recollection of it.

Q You probably now know that there is a chronology where there is preparation for Casey's testimony, it takes place on November 20; Casey testifies on the 21st. North's files are searched on the 22nd. He is interviewed on the 23rd. The 24th comes and on the 25th everyone is gone. Did you talk to North throughout that time period, the 30th or the 21st?

A I talked to him a couple of times.

Q This is sort or a crucial time period, it turns out in a lot of different ways, can you reconstruct, as best you can, maybe by the public events that are taking place, when you spoke to him and what the conversations were about?

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A Well, I spoke to him on one day, when he said that he was going on administrative leave shortly thereafter. What day of the week was the press conference; was that on Monday?

Q Meese's press conference was a Tuesday.

A So I may have well have seen North on the Monday just before that, because there was a day when he said he was about to go on administrative leave.

Q Do you recall what you spoke to him about?

A We spoke a good deal about terrorism. There were some things that I was concerned about. He spoke a great deal about Iran, and he said that he hoped very much that it would be possible for the hostages still to be released.

He was very passionately engaged in the business of trying to save these people.

Q Did he say anything to you about his interview with the Attorney General?

A No, he didn't. He said that he had been interviewed several times by several people. And he said that I should prepare to be interviewed by the FBI.

Q Did he indicate to you why the FBI would be involved in the follow up of the Iran initiative?

A I asked him on what basis people, Justice Department people, were asking such questions in the first

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place, and he said they were investigating possible criminal activities. And I said that if someone from the Justice Department would be kind enough to tell me what conceivable criminal activity of mine they wished to investigate, that I would consider talking to them. But as far as I knew, I had not committed any criminal acts.

Q Did he indicate to you, in retrospect, it is plain it wasn't your criminal acts they were investigating, but suggestions that he had made about criminal acts?

A Yes, his main concern was that there might have been unauthorized shipments of weapons prior to the finding of January, although I did not know about the finding until after it came out in the press, but he referred to the possibility of unauthorized shipments.

I said, this was not something which would cause me any lack of sleep, because I was in no position to ever authorize anything.

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Q Did he say anything to you about the suggestion that there had been an unauthorized diversion of profits to the Nicaraguan contras?

A No.

Q Did you -- do you recall any previous conversations with -- let me go back a little. These dates keep falling out of my head.

As I generally recall, there was a Presidential speech. Several days later, there was a press conference?

A We talked about the speech both before the speech and after the speech.

Q And do you recall what you said on each of those occasions? By "we" are you talking about you and North?

A Yes. I said before the speech that I thought the President should tell the truth about what had happened and after the speech I told him that I thought it was a terrible speech and that even at the stage in which I was engaged in, there was more than one tiny planeload of weapons and that that would have eventually come out, that that it had been a profound mistake to permit the President to say things which could easily be demonstrated not to be true. And that I thought that the correct course of action for the President to take was the one which I had understood Weinberger to have recommended, which was to say that he had gotten emotionally involved

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with the hostages, that he regretted it, that he thought it was a mistake, and that he had put a stop to it when he knew it was happening, and that I thought he should still do that and do it as quickly as possible.

Q How did Colonel North react to your reaction to the speech?

A He said that in fact there were many people who had suggested that to the President.

Q Did he indicate what his view was?

A Well, the implication was that he agreed with them.

Q Did you have any conversation with him about -- I can't remember now if this was the speech or the press conference, about the omission or the claim that there had not been a third party involved in the transfers of arms?

A No.

Q Does anyone recall whether that was in the speech as opposed to the press conference?

A I would think it was in the --

Q Press conference.

A -- press conference and was corrected within seconds of the end of the press conference.

Q Did you talk to Colonel North about the press conference generally?

A I don't remember. We spoke -- we did not speak

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at any great length in this period.

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Q Did you -- were you ever interviewed by the FBI in the November-December time frame? I suspect you may have been talked to.

A We -- after -- not -- sort of not in the midst of the crisis itself. When was it, December or January?

MR. WOOLSEY: I have to check the date. Frankly, I forget whether it was just before Christmas or just after the Christmas holidays. I believe it was after Mike testified before the Senate Intelligence Committee and I can check my calendar and let you know.

We did spend about four hours just like this with the FBI, either just before Christmas or just after New Years.

BY MR. EGGLESTON:

Q Did you indicate that you were not speaking much with Colonel North during this time?

A He didn't have a lot of time.

Q During this time period, during the sort of October-November time period, did you continue to speak with Mr. Ghorbanifar?

A I may have spoken to him on the phone.

Q Do you recall whether you spoke to him about anything with regard to this transaction or money problems?

A I undoubtedly said to him at one point that I had raised the matter with the director and that my

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impression was that it was being addressed.

Q Did you see Meese's press conference of November 25?

A Yes.

Q Was that the first that you had learned that there was a suggestion there may have been a diversion?

A Yes.

Q Have you spoken to Mr. Ghorbanifar since the November 25 press conference?

A Yes.

Q Have you spoken to him about whether or not he had any knowledge about whether there had been a diversion?

A No.

Q You haven't spoken to him about it at all?

A No.

Q Have you intentionally not spoken to him about it?

A I don't know how to answer that question, to tell you the truth. I intend to discuss it with him at sometime. The conversations we have had have not conveniently led to a discussion of that matter, but I will do it eventually.

Q Did you know Mr. Nir?

A No.

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Q Did you ever meet him throughout this time period?

A I think not. I spoke with Mr. Nir several times on the telephone during the Achille Lauro affair. We have spoken by telephone on several occasions.

MR. WOOLSEY: It might help to describe briefly your role in the Achille Lauro affair.

THE WITNESS: I was -- I had worked on recommendations about what to do with the Achille Lauro when it was first hijacked.

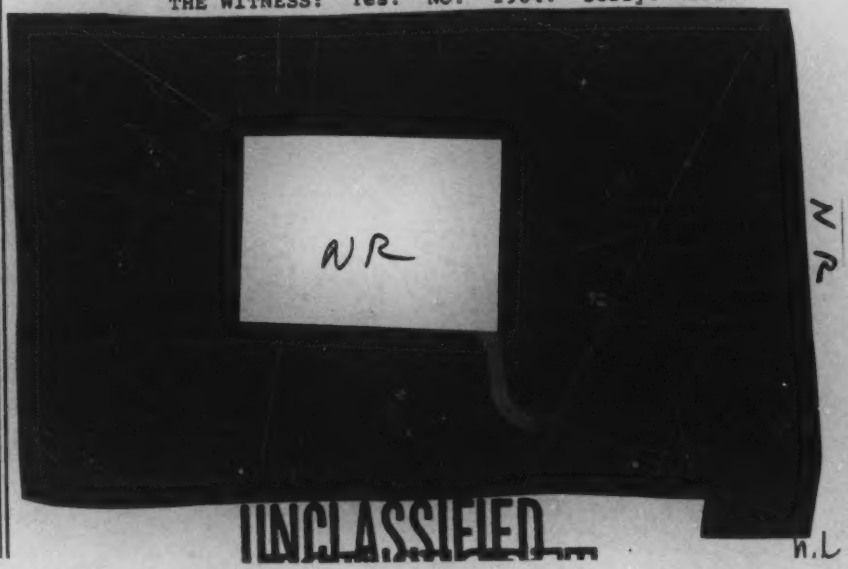
BY MR. EGGLESTON:

Q When was that?

A October of 1983, I believe.

MR. WOOLSEY: That early? 1983?

THE WITNESS: Yes. No. 1984. Sorry. 1984.



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BY MR. EGGLESTON:

Q Not too much detail on the Achille Lauro here.

A Huh?

Q I said not too much detail on the Achille Lauro. This was by way of me asking you about Nir. I don't mean to cut you off.

A Sorry. It is one of the few stories I actually

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enjoy telling.

Q We have a very broad resolution, but it does not include the Achille Lauro.

A I then went down to the White House and worked through the night, and one of the tasks I was given was to work on the arrest warrant for Abul Abbas.

[redacted]

Q And you don't think then that you spoke with him in connection with this?

A I know for sure that I have never spoken to him about this initiative.

Q There has been a report that there was a suggestion about diversion that came from Nir or at least came from the Israelis that some of the profit should be diverted either [redacted] or to the Nicaraguan contras or something.

Do you have any knowledge of that?

A No. There was another suggestion of diversion from Nir -- allegedly from Nir, that North reported in his PROFS notes suggesting I had taken money from the

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profits of that.

Q I was going to get to that near the end so as not to raise the temperature. Since you have raised it --

A It is false. It never happened. It was never suggested by anyone. No one ever offered me a commission.

In fact, very early on when this thing started, I sat down with Kimche and Schwimmer and Nimrodi and said, Listen, gentlemen, in this sort of affair people like us are always accused of taking money. I want a hard and fast understanding that nobody is to take money out of this. We all agreed to that.

I said I didn't want to see an account, touch a check, a bill, nothing, nothing, nothing. That was the agreement. That's the way it was.

In addition, the Israeli Government has now issued a statement to the wire services here, it is now out on the wires, in which Nir denies ever having said anything to North.

Q Is this recent?

A Yesterday.

Q Let me just follow up. Since you have raised it, let me follow up on questions about whether or not you received any money.

There is a reference to a Mike receiving $50 per TOW. Is there another Mike who is involved in this,

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to your knowledge?

A No.

Q Are you in any kind of financial arrangement with Mr. Ghorbanifar? Do you have businesses together or share partnerships or any fashion like that?

A No.

Q Excuse me.

A I said no. I have to keep saying no.

Q You have in addition to whatever else you do, you have a business, as I understand it, is that correct, a consulting business?

A Yes.

Q What is the name of that?

A ISI Enterprises, Incorporated.

Q Does ISI stand for anything?

A No.

Q Is that based here in Washington?

A It is in my home in Chevy Chase.

Q What kind of business does that do?

A Does all kinds of legitimate consulting business. It is the recipient of most of my income; that is if I speak and get paid for it, that money goes to ISI. If I write and get paid for it, that money goes to ISI.

In addition, ISI either me or me plus other people who habitually work with ISI, do some consulting

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projects, and I have some regular clients for whom I consult during the course of a year.

Q Do you have any other businesses other than ISI?

A No.

Q Do you have -- what kinds of consulting do you do for which you get paid through ISI? When I say you, I mean what kinds of consulting is ISI involved in for which it gets paid?

A ISI does some security consulting; ISI recently finished a consulting project for an airline advising it on security and related matters. ISI consults with a couple of companies simply advising them how to do business in various parts of the world, and ISI is involved in starting the manufacture of arranging for the manufacture of spare parts for American automobiles in Portugal at the moment. It is a normal business project.

Q Did ISI receive any money as a result --

A No.

Q -- I am sorry. I have to ask these anyway.

Did ISI receive any money as a result of your involvement in the Iran issue?

A No.

Q. Did ISI receive anything of value as a result of your involvement other than prestige?

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A ISI purchased three carpets from Mr. Ghorbanifar for the sum of $3000 in the fall of 1986.

Q And finally, before I get off this subject, is your wife employed?

A Yes.

Q Where is she employed?

A She works at the Department of Defense.

Q Did she receive any money as a result of it?

A No.

Q Or thing of value?

A She received from time to time Iranian sweets, I believe one bottle of perfume from Mr. Ghorbanifar, and occasional tins of caviar.

Q I think you indicated that you were not aware until after it came out in the press that there had been a finding that took place in January?

A That's correct.

Q In the spring, sort of February, March, April through May of 1986, there were, as you now know from the Tower Commission Report, two different transactions, really one in February and then again in May.

Did you have conversations with Ghorbanifar about either one of those as they were going on?

A No. I received -- I got -- someone in Washington told me that the McFarlane trip was going to happen. I

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don't remember who it was.

I went to McFarlane, probably in March, and said to him that it would be a terrible mistake for him to go on this trip because going on this trip would have the sole effect of strengthening the very people in Iran that we wished eventually to see removed. And I thought that the trip couldn't achieve anything other than that, whatever else people told him was going to happen, and that he must not lend himself to such a trip, that it was a mistake.

Q How did he respond?

A He thanked me for my advice.

Q And went?

A He went, yes. McFarlane -- a couple of things about McFarlane.

McFarlane was always rather closed mouth about things. It was sometimes difficult even for those of us who considered ourselves his friends to know what was on his mind.

Secondly, McFarlane, after 1985, is not the same person as the McFarlane prior to October of 1985. He had a very tough time in that period. This is when the rumors about his alleged romantic activities were running around Washington. He took that very seriously and very hard. He went through a period where in the old days people would have said he had a nervous breakdown. He -- conversations

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with him after that date were totally different from conversations with him prior to it.

In fact, I asked Kimche to come to Washington in November to implore McFarlane to stay because I thought he was making a mistake by leaving and I thought it would be a very bad thing if he left generally for the country. And that was also unsuccessful.

So I did not have great success from September, October on in convincing McFarlane to do things.

Q Did you continue to remain in contact with McFarlane after he left the National Security Council as adviser?

A Yes. We were colleagues at the Center for Strategic and International Studies.

Q Did you have access to the PROF system?

A No.

Q Did you have a secure phone line?

A No.

Q Let me start with February, the February, 1986, transactions invlving the TOWs.

Did you have any discussions with Mr. Ghorbanifar about the financing of those -- of that transaction?

A No.

Q Similarly, with regard to the Hawk spare parts and what other else might have been involved in May on,

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did you have any conversations with Mr. Ghorbanifar about that?

A No. Didn't know about the Hawk spare parts until I read it in the Commission Report.

Q Or anyone else at or about that time, about the financing?

A No. I never knew any of the details of any of these transactions. I knew generally that this process was going on and I was opposed to it, but I did not know of the details.

Q There is another hostage released finally in the summer of 1986 whose name I continue to forget as well.

A The two in 1986 are Jenco and Jacobsen. Father Jenco.

Q Jenco in July or sometime. Did you have any conversation with anyone about his release?

A I read the debriefs.

Q Excuse me.

A I read the debriefs. I congratulated McFarlane since I assumed that he had -- congratulated North also.

Q Did you know that it had come as a result of shipping additional weapons?

A. I didn't know, but I presumed it had.

Q I'm just going to cover some ares quickly.

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Let me just ask you some questions about North's involvement in the contra resupply operation. Were you --

A This is going to be a very short conversation.

Q I anticipate that it may well be, in which case we will be done at least by my part of this in a very few minutes.

Let me ask you if you know various people, names I will give you, things like that. Were you aware generally that he was responsible for overseeing what I think has been called frequently the Democratic Resistance movement in Nicaragua?

A Yes.

Q Had you heard -- were you aware that he was involved with various private fund raisers in furtherance of that operation? Did you know that he was involved with ~~this~~ Spitz Channell?

A I never knew of the existence -- I didn't know who Spitz Channell was until just now. I knew he knew Ross Perot. That was the person I knew about.

Q Were you aware of his dealings with Ross Perot in connection with the hostages?

A No.

Q Did you know Robert Owen?

A. No.

Q You did not know him?

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A Don't know him.

Q I am sorry. I was not correcting you. I couldn't hear you.

A Rob Owen came up and introduced himself to me on the street in Washington one day. We shook hands. That was our one and only contact.

Q Similarly, did you know a guy by the name of Richard Miller?

A Yes.

Q You do know Miller?

A I do.

Q Did you know Frank Gomez?

A Yes.

Q Did you know them to be associated with Oliver North?

A Yes. I knew them before. I knew them from State. They were both at AID when I was special adviser to Haig and when I worked for Haig, I participated in the Central American policy discussions as -- particularly public policy, and they were present at those discussions for the most part.

Q Did you continue -- did you see them meeting with Colonel North during the course of 1985 and 1986?

A No. Well, I saw Rich come to the office from time to time. I never attended meetings at which he was

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present.

Q Did Colonel North ever tell you the reason he was meeting with Rich Miller?

A No.

Q Or the reason he was meeting with Frank Gomez?

A I don't think I ever saw Frank there. I had an additional contact with Miller in 1983. I was invited as one of a group of other people to do an analysis of the Central American situation for something called the Gulf and Caribbean Foundation. I did this with Max Singer and Elie ~~Weitel~~ Weisel.

Q Who?

A Elie Weisel, the guy who just won the Nobel Prize. Ematra, from Boston University; Peter Burger from I guess Boston, Boston College.

We did analysis -- a pamphlet on Central America in which I was involved and Rich was involved in distributing that in some way.

Q Did you have a particular interest in Central America?

A Yes. I was interested in Central America. Still am. It is an important subject.

Q It has become an important part of my life, I'll tell you.

A Sure, but remember I was special adviser to Haig.

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Haig felt very passionately about Central America.

One of the things that most agitated Haig was his inability to convince the White House in 1981 to do something about Central America. So I was deeply involved with Central America from the very beginning. And never had anything to do with Central America with North, didn't work on Central America at all at the NSC, but I was interested in the subject.

end emm

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Q Did you discuss the subject with North?

A Discussed it with him once. We had a disagreement on Edén Pastora.

Q What was the nature of that disagreement?

A He was very suspicious of Edén Pastora and I thought it was fundamental for the United States to support Pastora.

Q Other than that, you don't recall discussing the Central American situation at all?

A No.

Q Do you know a man by the name of Jonathan Miller at the White House?

A What does he do?

Q I am not sure.

A I think I have met him once or twice.

Q Let me ask you about some other individuals that you may -- or I suspect did not know. I asked you whether you knew Richard Secord. Why don't I ask you that again because I think I may have asked you --

A No, I don't know Secord.

I think I was once on a plane with Secord. I think he once sat behind me on an airplane.

Q How about Robert Dutton?

A No.

Q Did you ever meet him?

I wish I had this guy's first name. Richard Gadd,

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A I don't think so.

Q Did you know Tom Clines?

A No.

Q Or -- you did, I take it, know Mr. Shackley?

A I know him quite well.

Q Is he a close friend of yours?

A A friend. Close friend would probably be slightly overstating it, but he is certainly a friend. I like him.

Q Before I get to Mr. Shackley, did you become personal friends with Oliver North?

A Yes.

Q Did you socialize with him outside of the NSC?

A Rarely.

Q Did you become friendly with his secretary?

This is not a sexist question. Did you get to know Fawn Hall well?

A Yes.

Q Did you also get to know Wilma Hall well?

A Indeed. I know Wilma much better than Fawn.

Q You do?

A Wilma was McFarlane's secretary at the State Department in the Counsellor's Office to which I was attached, so she was my secretary as well for a while.

Q Other than the one incident that you have told us

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about, I think where you discussed where Mr. Shackley's name has come up, have you discussed this matter with Mr. Shackley at any other time, did you discuss it Iran intiative with Mr. Shackley or Mr. Ghorbanifaor or anything else?

A A few weeks ago I called him up and we had -- arranged to have lunch. We had lunch and talked about it. I told him that I thought I owed him an explanation of why I had never read his memorandum. So I told him and he said he had always been baffled by it and that he would remain forever baffled by it because he simply could not imagine that I wouldn't have read it, and having read it, wouldn't talk to him at some point since I was dealing with Ghorbanifaor.

I said in retrospect, I probably had as much difficulty understanding my behavior as he did, but anyway there it was. That was about it.

Q Let me just run down some more companies. Did you during the time period of 1984, 1985, or 1986 hear of a company called Lake Resources?

A No.

Q How about a company called Udall, which has a variety of endings, Udall Research, Resources, Services?

A No.

Q A company called ToyCo?

A No.

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Q Hyde Park Square Corporation?

A No.

Q Do you know whether the account that Mr. Schwimmer had set up at Credit Suisse in the fall of 1985 was ever used?

A No.

MR. EGGLESTON: I think I have no further questions. I think what I would like to do -- can I go off the record for a second?

(Discussion off the record.)

BY MR. EGGLESTON:

Q Mr. Ledeen, is it true that pursuant to the subpoena that was given to you, you produced to us three documents that are entitled the following: document number one, memorandum prepared by M. Ghorbanifar, July 1985; document number two, memorandum from Michael Ledeen to Oliver North, December/January, question mark, 1986; and document number three, memorandum from Michael Ledeen to Charles Allen, September 1986?

A Yes.

Q I have no other questions.

MR. VAN CLEVE: Can we go off the record?

(Discussion off the record.)

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BY MR. VAN CLEVE

Q Mr. Ledeen, what I would like to do is start out by talking with you a little bit about one of the documents Mr. Eggleston referred to previously on the record before we took a break.

I would like to take advantage of your presence here today and try and educate myself a little bit about Iranian politics during the period, say, 1985, 1986, that we have been talking about generally today.

I show you a document that we have identified as Document 1 that says it was prepared by Manucher Ghorbanifar. Generally, you are familiar with the document, I assume.

A Yes.

Q Generally what the document does, it starts out, there are three more or less distinct groups. We call them lines one, two, and three. All of Iran's internal politics, foreign relations, economic affairs and social conflict can be viewed through the interplay among and between the lines.

Based on your knowledge, would it be fair to say that what is being described here is a set of political factions?

A Yes.

Q Are these the same factions that are sometimes referred to in terminology as moderates, radicals, so on,

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generally speaking?

A Referred to as moderates, radicals, and so on, by whom?

Q By, I think, various commentators on Iranian politics, the CIA, in its internal agencies?

A No.

Q They are not. How are these factions different from the terminology-- let me just back up and tell you what I am trying to do is to see if I can't get a better understanding of the factions within what is obviously a factional government, and try and match it up with conventional terminology that is sometimes used to describe these factions, if that is possible.

A I am not sure it is because in many cases Manucher Ghorbanifar would identify people with one public position, and another private position, and it would be the private position to which he would pay attention.

Q I understand. But having said that, we were talking earlier, for example, about moderates and radicals?

A Yes, you recall I said I didn't think I knew any Iranian moderates. I wouldn't use the word, "moderate" to describe any of these people in the normal English language sense of the word.

Q Let me give you an example.

This might convey what I think this terminology

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is intended to convey actually. Within the Iranian government, there are people who are willing, for example, to try and commit terrorist acts against the Saudis during religious festivals. In November of 1986, one of those individuals was arrested for supporting that type of activity; is that correct?

A Yes.

Q That would not be someone who is generally referred to as a moderate, would it?

A Yes, I agree.

Q Those distinctions do have some meaning within Iranian politics?

A There are very important distinctions.

Q Could you try and explain in general terms what those distinctions mean in your mind?

A They basically refer to two areas: one is domestic the other foreign, and domestic questions, the hard-liners, are generally speaking for maximum state control, so nationalization of banks and industries and state control of all organizations, whereas the, shall we call them moderates, the right line, as Manucher Ghorbanifar calls them, are people who argue for private property, private control, no nationalizations, so forth.

On foreign policy the disagreement is about the export of the Shiite Revolution, here, basically the hard-liners are in favor of export by all means, and in many

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ways, preferably by terror, whereas the right line is opposed to the use of terrorism as an instrument of foreign policy, and in large part, because it puts Iran in a pariah status, vis-a-vis the West, and they are concerned with our relations-- with their relations with the West.

Q Based on your experience, are these realistic political distinctions within their politics--describe sort of coalitions within the Iranian political system?

A I have not followed the internal Iranian situation with the same intensity since I was removed from this project as I did when I was involved in it. When I was involved in it, it seemed to me to have made good sense. I cannot speak to the period after that or to 1986-1987.

Q I understand, but at the time, these types of political distinctions did in fact generally describe sort of factions within the Iranian Government?

A Yes.

Q And to, just to go back, instead of using the right line, and hard line terminology, you might substitute for that sort of a radical and moderate terminology? Would that be roughly equivalent in terms of what people normally mean when they talk about Iranian politics?

A Radical and conservative. I don't think I would talk about radical and moderate. Moderate has always struck me as the wrong word.

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Q I appreciate-- if I understand you correctly, what you are saying is that is a term that is not descriptive enough of the distinctions between Iranian politics?

A They are just not moderate, no matter how you slice it.

Q The point I am trying to make is that in fact there are factions within the Iranian government, and that they do translate into real world differences, both in domestic and foreign policy; that significance for our policy makers as we look at the Iranian government and deal with it?

A That is my conviction.

Q To sort of follow on from that general discussion of Iranian politics at the period when you were involved with the Iranian iniative, I would like to ask you some questions about your knowledge prior to January 1, 1985. Were you aware that Israel had periodically sold weapons to Iran during the period 1980 to the end of 1984?

A No.

Q Have you since become aware that that is the case?

A No.

Q Is it your view that that is not the case?

A If I had to bet, I would bet that they had, but that is different from knowing it.

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Q You had no information to that effect?

A No.

Q Okay.

A We are talking prior to January of 1985.

Q Yes.

A No.

Q During 1984-- strike that. My recollection is that you said you had co-authored a book on Iran and I don't recall you mentioned when it was published.

A It was published in 1981.

Q And during the period 1981 through the end of 1984, did you follow events in Iran relatively closely?

A No.

Q I see. Were you aware that within the United States Government, during 1984 a reassessment of United States policy toward Iran was underway?

A No.

Q Okay, as of January 1st, 1985, you became a consultant roughly at that time to the National Security Council. In your view was a reassessment of United States policy toward Iran was desirable?

A I didn't believe we had a policy toward Iran, so there was nothing to reassess. We were doing nothing. We had no initiatives, no programs underway. We had not defined strategic objectives so far as I can tell. So

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there was nothing to reassess. When I discussed with McFarlane my notion that it was desirable to look for something to do to Khamenei before he died, he said we don't know enough about Iran to know if any such thing can be done.

I agreed with that. Level of knowledge was so poor that it was impossible to justify any particular policy.

Q When you say the level of knowledge was so poor, I am curious about your access to sources of information, either prior to January 1 of 1985 or after you became a consultant to the NSC.

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[redacted] There are many other ways of getting information. If there were not, there would be no such thing as history, because historians have no good sources inside their countries.

It is possible to write a good history of 18th century France without having sources there.

[redacted]

Q How do you account for that?

A And I said that is alarming because I didn't do anything special. I knocked down the obvious doors and asked the obvious questions. That is all there was.

Q [redacted]

A [redacted]

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[redacted]

Q Do you, yourself, have any formal intelligence training?

A No.

Q Have you acted as a contractor for the CIA at any time?

A No.

Q Was the work that you did for Secretary Haig generally similar to the type of work that you described for us during the 1985 period? I can be more specific if you like. What I have in mind is that you served essentially as a sort of an informal, it seems to me, based on your prior testimony. You served essentially as an informal intelligence link between various governments, and I am wondering if you did similar things for Secretary Haig.

A There was some of that, but I would say the bulk of what I did for Secretary Haig was diplomatic in nature; that is, I carried on conversations with foreign political leaders of socialist and social democratic parties, in order to explain to them the nature of our concerns, and various fundamental foreign policy which were of mutual

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interest, Central America, Southern Africa and arms control, East-West issues, and I tried to explain to them the basis for American policy in these areas, and encouraged them to share their concerns with us, and I suggested to them that we were open to suggestions and to change; that we were rational and not ~~blank~~ blankly ideological.

In particular, if they thought they had a better understanding of these problems than we did, please share it with us because we were capable of altering our views, and there were occasions which this happened. Very little in the way of intelligence there.

From time to time, I would ask the intelligence community to make it possible for me to share with them some of our intelligence in order to explain to them why we held the positions that we held, but so that would be actually the reverse, I suppose, of what you have in mind.

Now, there was not very much of this, a bit, but not very much.

Q I see, and when you were working for Secretary Haig and had those types of contacts, if I understood you correctly, you made the point that in situations where the socialist party was an opposition government, you made a practice of reporting that on those conversations to the government in power?

A Yes.

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Q In order to reassure them?

A To the foreign ministry.

Q Did you also have contacts with the intelligence services in those countries?

A I had some contacts with some intelligence services, one or two.

Q It was not a routine matter?

A No.

Q I see. How about with the CIA, when you returned from trips like this, did you make a practice of informing officials at the agency concerning the substance of the conversations?

A No.

Q Okay, you said previously that it was your view in 1981, 1985, thereabouts, the United States really did not have a policy toward Iran?

A Correct.

Q Please correct me if I am mistaken about this, but I understand that it has generally been the policy of the United States that we intended to remain neutral in the war between Iran and Iraq and that has been our policy since that war began; is that correct?

A Right.

Q In addition, it is my understanding that for a number of years, we maintained an arms embargo against Iran,

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which we strenuously sought to enforce around the world; is that correct?

A Correct.

Q Would it be fair to say, although we now have a positive policy towards Iran, we had a rather carefully thought out negative policy with respect to Iran as of that time?

A If you wish to characterize it that way, I have no disagreement.

Q Okay. I don't want to put words in your mouth, but it does seem to me-- and if you disagree, let me know, that when you are looking at a couple of the major issues that confront the Iranian government, our government did have rather clearly declared positions on those issues that would have been central to our relations with Iran as a government. Is that fair?

A I agree with that.

Q Okay, were you aware that at the end of 1984, there were a series of meetings between various arms dealers and Manucher Ghorbanifar that continued into early 1985 concerning the possibility of establishing arms relationships between Iran and the United States?

A No.

Q You were not aware of them at that time?

A That is right.

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Q Were you later made aware that those meetings had occurred?

A By the newspapers.

Q When you say the newspapers, do you mean generally after November of 1986?

A Yes.

Q At no point in your conversations with Israeli officials did they tell you about these meetings?

A That is right.

Q When you began working at the National Security Council, I assume that you were basically given access to whatever information, intelligence information, the NSC had available in the areas that fell within your purview; is that correct?

A Yes, in theory. In practice, it was a week to week proposition where Colonel North instructed Fawn Hall what to have shown me or he went out of his way to show me. Certain materials I would routinely see-- the various CIA and Defense Department publications on terrorism, for example, the weeklies, the dailies, the sections of the NID Intel that I was working on, whatever special studies came up, so it was fairly routine.

Q This goes back to the period prior to January 1, 1985. Are you familiar with the term, "burn notice?" You heard that term?

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A I had not until quite recently.

Q This sort of takes the premise for the next question but it was-- were you aware that such a notice, which is technically referred to as a fabricator notice, will be issued with respect to Mr. Ghorbanifar in 1984?

A No.

Q I see, and you, I take it, have only become aware of that through the newspapers?

A No, I heard it for the first time from Charlie Allen some time in 1986.

Q In 1986 some time?

A Yes.

Q Okay, what I would like to do now, I would like to take you back through the chronology for 1985 and ask what I hope will be some clarifying follow-on questions for the record. I am not trying to introduce precision where it doesn't exist in your mind, or it doesn't exist in the record. I am trying to make sure that I understand your view as to what happened at various points.

I am going to be working from a summary of events, which is prepared principally on the basis of the National Select Committee reports, all public documents.

Mr. WOOLSEY: Is it possible for us to look at a copy?

MR. VAN CLEVE: I would be more than happy to show

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it to you as we go along. I only have the one.

BY MR. VAN CLEVE:

Q Something happened on or about this date. Were you aware of it at the time? To take an entry and we would be happy to mark this as an exhibit and supply you with a copy.

MR. WOOLSEY: We would like that.

MR. VAN CLEVE: Be happy to do it.

BY MR. VAN CLEVE:

Q We have an entry here that in early 1985 an Israeli official, David Kimche provides McFarlane with a list of hundreds of Iranian moderates.

Were you aware of that at the time?

A No.

Q Okay. Can we go off the record?

(Discussion held off the record.)

BY MR. VAN CLEVE:

Q If I understand your testimony clearly, you then went to Mr. McFarlane and suggested that it might be desirable for you to meet with the Israelis to pursue this subject of your discussion in April.

Did you, prior to your discussion with hom on the subject, did you at any time contact any official of the Israeli government to discuss this subject with them?

A No.

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A No.

Q Okay, prior to your meeting with Prime Minister Peres, did you speak with any official of the Israeli government concerning the agenda for the meeting?

A No.

Q If I understand you correctly, then you simply called and asked whether or not it would be possible for you to see the prime minister, but didn't explain the subject matter.

A I asked Ambassador Netanyahu at the United Nations to make a request of ~~Peres~~ Peres as to whether I could see him in a certain time frame, and I did not tell him what the subject matter was.

Q I see, so at no time prior to the meeting was any official of the government aware of the subject matter?

A That is correct.

Q You testified that, and your meeting with Prime Minister Peres, you met with an Israeli intelligence official, Shlomo Gazit?

A Former intelligence official.

Q And if I understood your testimony correctly, you said that you agreed that he would attempt to determine what Israel knew about Iran, you would undertake to do the same thing with respect to determining what the United States knew about Iran and get back together and compare

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notes, was that the basic idea?

A Yes.

Q Could you explain how it is you intended to go about determining what the United States knew about Iran?

A I was going to ask.

Q Who?

A I was going to ask McFarlane, and indeed when I came back, I described this, as I testified, and I believed this was one of the reasons for the production of the special national intelligence estimate which was precisely that, a directive to the intelligence community to tell the White House what was known about Iran, and that was the basis for any next conversation with Gazit.

Q You testified, I think, that you met personally in Israel with [redacted] and with other persons who were considered knowledgeable about Iran?

A Yes.

Q Did you do anything similar here in the United States at all?

A Yes.

Q Could you please describe those meetings?

A I talked to a variety of academics and some government people who know about Iran.

Q Could you be a little more specific? The

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government people who know about Iran, who are those people?

A Harold Rhode at the Pentagon. I spoke to a Professor Bernard Lewis at Princeton, a variety of Middle East journalists. I don't think I could begin to remember them all.

Q Are there any names that you do particularly remember?

A Well, those are the two best names. These are the two people who I think understand it quite well.

Q Did you contact the Central Intelligence Agency to ask for their estimate of the situation in Iran?

A That had already been done through the NSC. I had no reason to do it.

Q So you expected to get whatever information was going to be forthcoming from them through the mechanism of the SNIE?

A It was given to me.

Q So it was produced, you think, at Mr. McFarlane's request as a result of your trip?

A No, the most I would say is I think it was in part produced in that connection.

Q So it could have been, it could have been sort of begun simultaneously?

A Could have been fortuitous, or coincidence.

Q You just don't know?

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A No.

Q Okay, in your meetings with Prime Minister Peres or the meetings subsequent to that with the former Israeli intelligence officials, at any time did anyone indicate to you that Israel had established a channel into Iran?

A No.

MR. WOOLSEY: You mean other than whatever contact they may have had with Ghorbanifar?

MR. VAN CLEVE: It is not my recollection that Mr. Ledeen had previously testified he was made aware at this time.

THE WITNESS: There was an implication when Peres asked me to relay the request about the munitions. It was clear that there must have been a channel between the government of Iran, the government of Israel, but I had no notion as to what that might have been.

BY MR. VAN CLEVE:

Q As a matter of inference, but he didn't explain to you, we have developed a channel. They made this request, so on?

A Right.

Q But you would regard it as obvious?

A Well, there must have been some way for them to ask the Israelis for these things.

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Q That could have been done through a normal diplomatic channel?

A Yes, but I didn't take your question to suggest that it was necessarily an unusual channel.

Q Let me be a little bit more precise. At any time during your meetings in May in Israel, did anyone indicate to you that they had established a channel other than a normal diplomatic channel?

A No.

Q The Senate Committee report indicates that there has been testimony that Mr. McFarlane informed the President that Israel had established a channel in about mid June of 1985. Did Mr. McFarlane ever tell you that he had independently received information that the Israeli government had established such a channel?

A No.

Q Okay.

A If I had to speculate on that, I would guess that-- are you sure it is June?

Q Yes.

A Because if it were July, then that may well have been Ghorbanifar.

Q I understand. The Senate Committee report uses the June date, but I am not prepared to say that it is correct.

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A Anyway I have no information about that.

Q Okay, were you aware that during late May and June of 1985 there was under consideration a draft, what is commonly referred to as a national security decision directive concerning Iran?

A No.

Q You were not aware of that?

A Was not.

Q Was it part of your responsibility as a consultant to the National Security Council to review documents such as that that fell within your general areas of competence?

A No.

Q I see. Would the National Security Council have used an independent consultant such as yourself to review a document like that, or would that have been considered very unusual?

A I don't know.

Q You were never asked to review that kind of thing. During your time at the State Department, were you ever asked to review a NSDD draft?

A No, but I routinely saw them and could have commented on them if I had wished.

Q Okay, I think that the answer to this next question is sort of obvious from what you have just said, but I want to make sure that I don't overlook something here. I

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take it then you were not aware that during mid to late June both Secretary Shultz and Secretary Weinberger commented on the draft NSDD on Iran to the general effect that they were opposed to the suggestion that we change our arm embargo policy with respect to Iran.

A That is correct. I did not know.

Q You met repeatedly with Mr. McFarlane concerning the possibility that we might in fact sell arms to Iran?

A Correct.

Q Was it with--

MR. WOOLSEY: Excuse me, in late June?

THE WITNESS: July.

MR. WOOLSEY: The time period?

MR. VAN CLEVE: I am really referring from the date of the Peres meeting on because that is the first suggestion.

THE WITNESS: Wait a minute. Let's get this straight again, because there tends to be some confusion about the chronology. The question of arms is not discussed prior to July, 1985. There was no discussion of arms between me and Peres in May, except for the request that America authorize that one discrete sale.

BY MR. VAN CLEVE:

Q That was in fact what I was referring to.

A Oh.

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Q I want to frame this question in a way that you are comfortable with. It appears from the chronology as though events were sort of proceeding on two different tracks at about this time. On one track you were having private meetings with various governmental officials-- Prime Minister Peres, some intelligence contacts and in acquiring additional information both from that government and from the United States Government in response to that, and yet at the same time it appears from the public record that the formal National Security Council decision-making process had under consideration a fundamental and related change in policy that concerned essentially the same subject and yet you were unaware of that fact; is that correct?

A Correct.

Q Can you explain in your view why it made sense to have you as consultant doing what you were doing and yet make sure that you were not made aware of the fact that a parallel track into the decision-making process in the same organization was fundamentally reevaluating policy you were working?

A Sure, not the least bit surprising. What would have been surprising was if a part-time consultant such as myself had to participate in a policy-making discussion. What actually happened was that the full-time government

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officials made policy, and the part-time consultant that was used as a part-time consultant which was to go off from time to time and collect information, learn what he could learn, attend a meeting, do a bit of travel, come back and resume his normal activities which were not those of the NSC.

It would have been surprising had I participated in policy discussions. That would truly have been surprising.

Q Even in terms of being asked to comment as a former State Department official?

A Yes, I would have been surprised.

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Q I see. Okay.

Again, I am going to talk about a series of events which I think are now matters of public record either from the Tower Commission report or whatever. I am going to ask you if you were aware they occurred. On July 3 we understand Mr. Kimche met with Mr. McFarlane in Washington and told him Israel had established a dialogue.

A I am unaware.

Q On July 14, what is referred to publicly as a private emissary from Prime Minister Peres visited the United States and, of course, met with various U.S. officials. Were you aware of that visit?

A I may have been if the reference is to Schwimmer. I was certainly aware of it.

Q If the reference is not to Schwimmer, would you be aware of it?

A I don't know of anybody else.

Q If I understood your prior testimony correctly, in late July, you met with Mr. Ghorbanifaor. Were you given any instructions prior to attending that meeting by Mr. McFarlane?

A Yes. The instructions were to attend it.

Q Anything else?

A No. Not that I remember.

Q Did he tell you before you left for Israel that

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he had been contacted concerning the possibility that it might be possible to rescue some of the United States hostages?

A He did not describe to me any other discussions that he had with the Government of Israel.

Q I see.

A Either then or so far, as I can remember at any other time.

Q Maybe that way I can avoid a certain number of questions.

Thank you for that.

If I understood your prior testimony, on a point about which I believe there has been a fair amount of dispute, in early August, Mr. McFarlane told you that it was -- you should go ahead and proceed with a proposed arrangement or test, I think was the term you used, in which we would -- Israel and the United States together would transfer a certain amount of weapons in the hopes that there would then be hostages released by the -- through the influence of the Iranians; is that correct?

A Among other things. Israel was to do the transfer. The United States had no role in the transfer. What Mr. McFarlane told me was that the President had approved this test.

Q So I take it that you have read in the public record of the dispute on this point between Mr. Regan and

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Mr. McFarlane?

A Yes.

Q Based on your recollection of events, Mr. McFarlane appears to clearly be correct on this point.

A I have no first-hand knowledge of what occurred. I can simply tell you what Mr. McFarlane said to me.

Q I see. At about the same time?

A Yes. That Mr. McFarlane told me that the President had approved it. And on the basis of that, I was to go ahead and transfer this code to Kimche and so forth. But, again, that is simply what McFarlane says. I don't have any first-hand information of what went on in those meetings.

Q I understand. Just a couple of questions, if I might, about the document that was referred to earlier in the record as document two. The title we have been using is a "memorandum from Michael Ledeen to Oliver North, December/ January, question mark, 1986."

Can you recall the circumstances under which you prepared this memorandum?

A This was after my December meeting with Mr. Ghorbanifar in Europe at which, so far as I can remember, he first describes to me the possibility of this [redacted] [redacted] And I wanted to raise with North what I thought to be the central point about what had happened with regard to Iran, so I put the two together in a single memo.

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Q If you recall, roughly when was the meeting with Mr. Ghorbanifar?

A December.

Q But when in December?

A Mid -- somewhere in the middle third of December, if you divided it into thirds.

Q Sometime after the 10th, but before Christmas?

A Yes.

Q So this memorandum would have been prepared after that?

A Yes.

Q Roughly how long after that?

A I am not certain. That is why I have said December or January. Somewhere in the December/January period. I don't know when. It could be either month.

Q So it could have been as long as three weeks after the trip?

A Oh, it could be as late as late January.

Q Based on your present recollection?

A Yes.

Q Looking at page 3 of the document, the first two paragraphs start out "Our interlocutors in Iran took a considerable risk". It lays out the request that had been made at the meeting that you have previously testified to in 1985. Then it says, "Instead of pursuing this highly

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promising operation, we have decided that everything will wait."

Is that a "we" a reference to the United States Government?

A Yes.

Q Was there a specific event that you were referring to when you said "we have decided that everything will wait until the matter of the hostages is resolved"?

A No. There was no specific event or decision.

Q If you recall, what prompted you to represent the situation at that time as -- on the basis that there was a decision?

A Casey had told me and would continue to tell me when I raised this matter with him, which I did on several occasions, that he agreed with me that the strategically significant aspect of the Iranian matter had to do with the prospects of having some change in the Government there, but that as he put it constantly, we have to do the hostage matter first. That has to be done first.

Q At the risk of digressing, did you come into frequent contact with Director Casey during 1985?

A No. Not frequent.

Q Was it part of your duties as a consultant to the NSC to be in contact with him?

A There were times when North encouraged me to talk

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to Casey about things. There were times when someone at CIA would encourage me to do it. We got along well. Casey himself always encouraged me to call him when I had something I wished to discuss.

Q I take it you had known him for some time?

A I knew him when I worked for Haig and we had several discussions then.

Q Did you ever talk about Mr. Ghorbanifar with Director Casey?

A Yes, indeed.

Q During 1985?

A During 1985. At the end of 1985, and several times in 1986.

Q This would have been about the same period during which consideration was being given to poligraphing Mr. Ghorbanifar?

A Yes.

Q Prior to that time, say late 1985 to early 1986, that period, had you talked to Mr. Casey about Mr. Ghorbanifar?

A No.

Q I believe you testified previously that during 1985, you made several efforts to persuade various government officials that a policy that involved trades of arms for hostages was a mistake; is that correct?

A 1986?

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Q Excuse me.

A In 1985, my conversations were almost exclusively with McFarlane.

Q During 1986 -- and this would have been after you were removed from active involvement?

A Yes. There were some in 1985. In 1985, I would have spoken at least once with Casey and undoubtedly made these points to North in 1985. I think that is probably about it.

Whereas in 1986, there was Armitage, Weinberger, Casey, again, Rodman, Gates.

Q Was this within the scope of your employment as a consultant or something you did on your own?

A I would classify this as unsolicited kibbitzing.

Q Can you explain why you felt strongly enough about this subject to undertake that sort of unsolicited kibbitzing?

A I thought we were making a strategic mistake. I thought it was my obligation to make my points as clearly as I could.

Q I take it you thought we were making a serious strategic mistake?

A Well, there you have it in writing. Am I permitted to say that nothing that has happened since this convinced me that I was wrong in my judgment.

Q You are entirely welcome to say that.

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MR. WOOLSEY: Your counsel will not advise you against that particular interjection, although generally brief answers are to be preferred to lengthy ones.

BY MR. VAN CLEVE:

Q You testified previously that in your view, the Central Intelligence Agency went to some lengths to put Mr. Ghorbanifar in a position where he was not going to be considered a reliable intermediary for the Iran relationship?

A Yes. They didn't like him at all. If I could just say one thing, to be sure, there were some people at CIA who thought that we should be working with him. At least three.

One was Charlie Allen. You see a memorandum to that effect in the Tower Commission report.

The second was Claridge, who thought that although there were many serious problems with regard to Ghorbanifar, still he clearly had contacts and information which were important to us and that we should try it. And the third was the director, who after all made the decision to override the advice of all these other people and to continue to work with him.

And there may have been others. These are the ones that I know of.

Q Have you had other experiences like this with the Central Intelligence Agency where they decided that it was not desirable to work with someone and you thought might be

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sort of a reliable interlocutory? You have done a fair amount of this type of thing on your own, I gather.

A Could you --

Q I am referring to your prior testimony about the kind of work you did for Secretary Haig and the follow-on work, similar work you did.

A I cannot recall another occassion on which I made any recommendation to the CIA about working with a given individual. So far as I remember, I think this was the only occassion on which I have done that.

However, there are at least two other occassions on which the CIA and some of the officials of the CIA and I had serious disagreements over the reliability of a person and each of these had to do with a Soviet bloc defector.

Q I believe you testified previously that your company, ISI, does consulting work for a number of clients. Are any of them foreign governments?

A No.

Q Have you ever done consulting work for any foreign government?

A Yes.

Q Which foreign government?

A I have done consulting work for two foreign governments. Could we go off the record on this? Does that matter to you?

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I have a great reluctance to --

MR. VAN CLEVE: Do my colleagues have any problem with that?

MR. EGGLESTON: I don't object to going off the record.

(Discussion off the record.)

MR. VAN CLEVE: Go back on the record, please.

BY MR. VAN CLEVE:

Q Have you discussed your testimony here today or any prior testimony you have given before any Government body with representatives of the Government of Israel?

A Yes, I have.

Q Would you please describe those conversations?

A When the Tower Commission report was published and I saw in there the allegations that Colonel North made in his PROFs notes to Poindexter and McFarlane alleging that Mr. Nir had voiced suspicions I had somehow profited from the sale of weapons to Iran, I spoke to a variety of officials of the Government of Israel and told them that I had been asked about the possibility of my having made any money on this by the Tower Commission as well as by the FBI, and the Senate Intelligence Committee, and that I had said that any such allegation was a lie. That I now found these allegations supposedly made by Mr. Nir and that I would appreciate it if the Government of Israel would make a statement

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as quickly as possible as to the status of these allegations since if Mr. Nir had indeed made these allegations, I was going to sue him and that if he did not make these allegations, I felt it was his obligation and the obligation of the Government of Israel to say so quickly so that I would not have to constantly reply to questions from journalists about allegations of my having made any money.

That is the -- that I believe is all the conversation that I have had regarding my testimony with any Israelis.

Q Have you ever been registered as a foreign agent on behalf of any foreign government?

A No.

Q Have you ever been an agent or an employee of any foreign government?

A Well, ISI has done work for foreign governments, but it was not the sort of work which required registration. That is, it took place only in those countries with regard to problems that those countries had and it had nothing to do with the United States Government or the United States.

Q With all due respect, I am going to repeat the question I asked you. The question was have you ever been an agent or employee of any foreign government?

A No.

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Q Thank you.

MR. VAN CLEVE: That concludes my questions.

MR. WOOLSEY: You were the coach of the Israeli bridge team at one point.

THE WITNESS: Private. The Israeli Government took a very dim view of the bridge team and it was not sanctioned. All the money for that team was private.

MR. VAN CLEVE: I have no further questions.

MR. EGGLESTON: Nor do I.

Thank you very much.

(Whereupon, at 5:55 p. m. the deposition was adjourned.)

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TRANSCRIPT OF PROCEEDINGS

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE

TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

AND

SELECT COMMITTEE TO INVESTIGATE COVERT

ARMS TRANSACTIONS WITH IRAN

U. S. HOUSE OF REPRESENTATIVES

* * *

Deposition of MICHAEL A. LEDEEN

(2217)

Washington, D. C.
June 19, 1987

Pages 1 thru 127

Partially Declassified/Released on 27 July 1987
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SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE

TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

AND

SELECT COMMITTEE TO INVESTIGATE COVERT

ARMS TRANSACTIONS WITH IRAN

U.S. HOUSE OF REPRESENTATIVES

- - -

Friday, June 19, 1987,

Washington, D.C.

Deposition of MICHAEL A. LEDEEN, taken on behalf of the Select Committees above cited, pursuant to notice, commencing at 8:57 a.m. in Room 901 of the Hart Senate Office Building, before Terry Barham, a notary public in and for the District of Columbia, when were present:

For the Senate Select Committee:

PAUL BARBADORO, Esq.
Deputy Chief Counsel

CHARLES KERR, Esq.
Associate Counsel

JOEL LISKER, Esq.
Associate Counsel

For the House Select Committee:

NEIL EGGLESTON, Esq.
Deputy Chief Counsel

RICHARD J. LEON
Deputy Chief Minority Counsel

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For Senator McClure:

JACK GERARD
Legislative Director

For the deponent:

R. JAMES WOOLSEY, Esq.
Shea & Gardner
1800 Massachusetts Avenue, N.W.
Washington, D.C. 20036

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EXHIBITS

None

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P R O C E E D I N G S

Whereupon,

MICHAEL A. LEDEEN

was called as a witness and, having been first duly sworn, was examined and testified as follows:

EXAMINATION BY COUNSEL FOR THE SENATE SELECT COMMITTEE

BY MR. BARBADORO:

Q Mr. Ledeen, you have testified many times about your involvement in the Iran arms initiative. I have had an opportunity to review your testimony, on both occasions, to the Tower Commission, your testimony to the Senate Select Committee on Intelligence, and your testimony in a deposition taken by Neil Eggleston.

Rather than review every event with you, I want to focus on certain aspects of your involvement, and I'm going to take it out of chronological order.

I want to start by asking you about your involvement in November of '86, and let me give you a point of reference. On November 3rd, 1986, Mr. McFarlane's trip to Iran is described in the Lebanese press, and two days later, the trip is described in the American press.

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Let me start by asking you where you were in early November, when you learned about the public disclosure of Mr. McFarlane's trip to Iran?

A I was in Washington when the Ashgari story came out, and by the time that Rafsanjani had given his speech, and the story became, then, a confirmed story instead of just an Iranian/Lebanese rumor, I was in Europe. I was at a conference in Europe.

Q And what did you do when you learned of the existence of the story?

A While in Europe I did nothing.

Q When did you return to the United States?

A I came back to the United States, I suppose, around the 9th or 10th of November, I would bet, and I got in touch with Lt. Col. North, and with Mr. McFarlane, suggesting that I was happy, and thought it worthwhile for me simply to go public with what I had done.

Q What did Colonel North tell you when you asked him about going public with what your role was in the initiative?

A He said that I was not to do that, and that if and when it became possible for me to do that he would tell me, and that in the meantime, I should stay in touch with Mr.

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McFarlane about the matter.

Q What did Mr. McFarlane tell you when you asked him about going public to explain your role in the initiative?

A Well, he originally said the same thing as North, and then, a couple of days later, when I complained about it, he suggested that I talk to some journalists on background, but no public statements, and no on-the-record statements.

Q The President gave his speech on the Iran initiative on November 13. Prior to that, had you made attempts to contact Admiral Poindexter to discuss this matter with him?

A Yes. I had.

Q Were you able to discuss it with Admiral Poindexter prior to the speech?

A No.

Q Did you also try to contact Mr. Keel?

A Yes.

Q Were you able to discuss this matter with Mr. Keel prior to the President's speech?

A Yes. I think it was prior to the President's speech.

Q On November 13, 1986, Wilma Hall writes a note to Mr. Keel stating that you wanted to get in touch with Mr.

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Keel. When was it that you think you finally did get in touch with Mr. Keel?

A I think it was later that day, but I'm not certain, Mr. Barbadoro, but in any event, I did have a brief telephone conversation with Mr. Keel, in which I said essentially, how can you reconstruct what happens without listening to what I do?

Q What was his response?

A He said that was a good point, and why didn't I type up a page or two, just giving a simple chronology of what I had done, and turn it in.

Q Did you do that?

A Yes.

Q When did you turn in that chronology of what you did?

A Probably a day or two after that, and I gave it to Colonel North.

Q Did you listen to the President's speech on Iran?

A Yes.

Q Did you disagree with anything that the President said in his speech?

A Yes.

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Q What did you disagree with?

A I disagreed with the statement that all the weapons could fit into one small aircraft, and I disagreed with the statement--if I remember right, it's been a while since I've read it--but if I remember, he said that there had been at no time no arms for hostages. And I felt that the policy, although it had not begun as arms for hostages, that in fact it had become that, at least to a significant degree.

Q When did you meet with Colonel North to turn in your chronology?

A I don't remember, and I'm not even certain that I met with Colonel North when I turned it in.

Q Did you have a chance to raise your concerns about the President's speech with Colonel North?

A Yes.

Q What was his reaction?

A He said that I was not the only one to say that, and I said to him that I thought it was still not too late for the President simply to tell what had happened, and to say that we were looking for some kind of geopolitical demarche with regard to Iran, that we unfortunately became enmeshed in an arms-for-hostage affair in which the President, himself,

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had become emotionally involved with the hostage question, that he regretted it. He still felt quite passionately about the fate of the hostages, and would do anything reasonable to try to get them out, but felt that what had happened was probably wrong, and that he had put an end to it, and then would get on with it.

My understanding was that in fact Secretary Weinberger had recommended exactly that before the speech, and I thought it was a good idea, and I thought he should still do it.

Q What was Colonel North's reaction?

A Well, it said it wasn't only Weinberger in fact, that there were others.

Q And did North tell you what his view was?

A He did not.

Q Do you recall whether this discussion with Colonel North was in person or over the telephone?

A It was probably both. It was probably both in person, and on the phone.

Q Did you discuss the Iran arms matter with him several times during this period, around the time of the President's speech?

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A No. I don't think we did. We had discussed it enough before that.

Q Do you recall a conversation with Colonel North in which he suggested that you should get a lawyer?

A Yes.

Q As best you can, what was the date of that conversation?

A I'm quite unsure about the date of this conversation.

Q Would it have been before the President's speech, or after?

A My belief is that it was after the President's speech, but prior to the 21st of November.

Q And would the conversation have been in person or over the telephone?

A I don't know. It could have been either.

Q What do you recall Colonel North saying to you about getting a lawyer?

A I remember Colonel North saying to me that there were Justice Department people investigating the possibility of an illegal sale of Hawk missiles to Iran in November of 1985, and that they would undoubtedly be questioning me about

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it, and that I might consider getting an attorney.

Q Did Colonel North say anything about whether he--Colonel North--had been advised to get a lawyer?

A I think that he said that he had been advised to get a lawyer.

Q And did he say whether he would be getting a lawyer?

A I don't remember.

Q How certain are you that this conversation occurred prior to November 21?

A Look, I have a healthy amount of skepticism about the reliability of anybody's memory, and above all, about my own memory. However, I will explain to you why I think that it happened before the 21st of November.

On the 21st, when I went to see him in his office in the afternoon, he said, he asked me, what would you say if you were asked what do you know about shipments of Hawk missiles to Iran in November 1985? And when he said that to me I remembered, or I think I remember remembering, a previous conversation in which he had spoken about Justice Department people looking into this, and telling me that I would undoubtedly be asked this question.

So I recall recalling that previous conversation on

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the 21st and remember it as having been precedent. Now it is conceivable--the only other possibility, because the only other time that I remember talking to him in that period, was the morning of the 21st at my house, but that was such a very brief encounter, that I don't think that that's when it happened, although that is possible, that it may have been the morning of the 21st. But I tend not to think so.

And I also lean towards believing that the conversation in which he said people were investigating it and I might consider getting a lawyer, was part of a telephone conversation rather than a face-to-face conversation. So that's what I think I recall, and how certain am I? I believe I have a fairly clear recollection of it, but I have been wrong about things in which I have had quite clear recollections in the past. So I'm doing my best to remember it.

Q All right. Let's go back to the conversation where Colonel North suggested that you should get a lawyer. Did Colonel North explain to you what the problem with the legality of the November '85 Hawk shipment was?

A No.

Q Did he say why it was being investigated by

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officials of the Justice Department?

A No, and, indeed, I found it peculiar, and I found the suggestion that this sale of the Hawks had been illegal to be silly. I didn't believe it and I told him so. I told him I didn't think that there was the slightest possibility that that had been illegal, and I didn't think that anyone from the Justice Department was going to talk to me about it.

Q Let me ask you as precisely, as you can remember, what did you tell Colonel North when he suggested that you should get a lawyer?

A I said it's silly. I said all of that was perfectly proper. Everything that happened in that period was approved by the President.

Q What was Colonel North's reaction to that?

A He said he was just trying to advise me that this was going on, and to try to be helpful.

Q How certain are you that he mentioned that Department of Justice officials were investigating the matter?

A The same degree of certainty as attaches to the whole conversation.

Q Okay. You mentioned that you prepared a chronology of your involvement in the Iran arms initiative and submitted

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it to Colonel North. Other than preparing and submitting that chronology, did you play any other role in the preparation of the chronologies that was ongoing at the NSC staff during this period?

A No. I tried very hard to contribute to the reconstruction of those events, but I never did.

Q You never participated in any meetings with NSC staff officials where chronologies were discussed, correct?

A No. Correct.

Q And you never saw any of these chronologies that were being drafted at the NSC staff?

A Correct.

Q You have referred to meetings with Mr. McFarlane on November 21, 1986. How did that meeting come about?

A It was at my request.

Q And when did you make the request for a meeting?

A Oh, I think I'd been trying to talk to him for a couple of days, and that he had--he probably called the night before, or he may have called that same morning, to say how about, what?, 11:00 o'clock at your place. And I was beating my well-known and dying horse at that point, which was to the effect, I thought that what we had done in 1985 was a good

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thing, nothing to be ashamed of. Quite the contrary. That the story ought to be told, ought to be told publicly. That I was the ideal person to tell it, both because I was the only one in the room, as it were, when all these things happened, but also, because so far as things that had happened in 1986, which seemed to be much more controversial, I was not involved and had no direct knowledge of them.

So that I could reasonably and correctly, and honestly, speak publicly to journalists, to television, whatever, about what had happened in 1985, which I thought was good and defensible, and that these other things, when they asked me questions, I would simply say I don't know about them which is the truth.

Q Up until November 21, had you been allowed to go public, as it were, with your story on Iran?

A No.

Q And your purpose in asking to meet with Mr. McFarlane on November 21 was in part to try to get that permission to go public, is that right?

A Yes, in part, and then in part to discuss some things which he had been saying about it where I had some quibbles to make about his use of langauge, and so on.

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Q What were your concerns about what Mr. McFarlane was saying?

A I felt that it was a mistake to use the word "moderate" to describe the Iranians with whom we were in contact.

Q Why did you think that was a mistake?

A For two reasons. First, I did not think they were moderate. I don't think it's the right word. But second, and more to the point, I think it's a dangerous label to have around your neck in downtown Teheran.

Q What else were you concerned about, what Mr. McFarlane was saying about the Iran initiative?

A It seemed to me that he had not remembered exactly how the matter had begun, and I thought that he was a bit confused about the Israeli role. So I wanted to run through that with him and tell him the way I remembered it.

Q Did Mr. McFarlane come to your house at 11:00 o'clock on November 21?

A Yes.

Q What happened when he got there?

A We sat down and started talking, and we talked about all these various subjects.

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Q What did Mr. McFarlane say to you when you asked to go public?

A He said, first of all, that he did not think that this was--it was yet time to do it, that I could continue to talk to journalists on background, and try to help them understand what had taken place. But that in any event, when I spoke about my own role in this, that I must not--if I remember his words precisely, he said that I must not try to get too far out in front on this matter, and that I should not represent myself as having been on a mission for him when I went to talk to Prime Minister Peres in May of '85.

Q Let me ask you about that. Do you feel that you were on a mission from Robert McFarlane when you went to talk to Mr. Peres in May of 1985?

A Yes.

Q So you disagree with the assertion that Mr. McFarlane is making on November 21, that you were not on a mission, is that right?

A That's right.

Q What was your reaction when Mr. McFarlane told you this?

A I didn't say anything. Some time later in the

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conversation--I tried to figure out why he was saying this.

Q What did you think about why he was saying that?

A Well, I thought there were several possibilities. One was that he simply did not remember what had happened, and had in his own mind made it a matter of, who knows?, a happenstance conversation or change encounter in which Peres and I had had a talk about Iran, and some interesting things had happened.

The second was that he was trying to protect me by attempting, publicly, at least, to minimize my role in it, and telling the story in such a way that I simply dropped out. Indeed, the way he was telling the story--and it looked that way to me for quite a while, I must tell you--because when he originally told the story, it tended to begin in July, always, with Kimche's trip to Washington, and on that basis I simply dropped out of the story, as having any kind of important role.

And I said to him, whether towards the end of that conversation or at a later date I don't remember--but I said to him at a certain point, "Look, Bud, you cannot protect me in this, there is no way, because my name is already out and it's all over the place, and all the people who were in those

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meetings will eventually make that point, and people can add".

But anyway, that was the second main explanation that I had in my mind at that point.

Q What else did Mr. McFarlane say to you at that meeting?

A He said that he agreed about the quibbling about the word "moderate", thought that was probably the wrong word to use, and agreed that it might in fact be dangerous to some of the people that we were dealing with.

Q At some point, did Colonel North arrive at your house?

A Yes.

Q Were you expecting him to show up at the meeting?

A I don't think I was.

Q What happened when Colonel North got there?

A He came in and said a series of things to McFarlane which didn't mean much of anything to me. They were about meetings and scheduling, and who was talking to whom, and so forth.

Q At some point did Mr. McFarlane refer to a meeting that he had had, or was about to have with the Attorney General?

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A Yes.

Q What did he say about that?

A He said that he was trying to get straight in his own mind the sequence of events, and what had happened, and he thought that he was doing pretty well with it all, with the exception of a shipment of Hawk missiles to Iran in November of 1985, which he simply could not recall.

Q Was Colonel North there when he made that statement?

A Yes. He made it to Colonel North.

Q Did he also refer directly to a meeting with the Attorney General?

A I think so, yes.

Q What did he say about that?

A I don't recall whether he said he had met with the Attorney General or was going to meet with the Attorney General, but it was one or the other.

Q When Mr. McFarlane said to Colonel North that he was having trouble with a November '85 shipment, what was Colonel North's response?

A No response.

Q What else happened when Colonel North was there?

A At a certain point, Mr. McFarlane simply got up and

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left, and Colonel North I think--he may have asked earlier, but he asked if he could have a ride downtown. McFarlane had said yes. So Mr. McFarlane went and got his car which was around the corner, drove it to the front of the house. I walked Ollie to the door, and on the way to the door he said, "We have to get together. Please call Fawn and get yourself signed in for this afternoon. Come and see me."

Q Did you call Fawn and set up an appointment?

A I did.

Q What time was the appointment?

A I don't remember. I know that the appointment book says it was 3:30. I think it was earlier, in practice. I think it was around 2:30 or 3:00 o'clock.

Q And who was in North's office when you got there?

A I guess Fawn and Barbara.

Q And Colonel North?

A Yes, but his door was closed, so, the question was who was there when I went in.

Q Okay. And did you go into Colonel North's office?

A Yes.

Q Tell us what happened when you met with Colonel North in his office.

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A Well, it was a standard Ollie conversation, which is to say it's a conversation with Ollie, and at least two and sometimes three telephones. So, a variety of phone calls, conversations of various sorts, and so forth, and in between we talked a bit about Iran and were there still prospects there for the future.

And he said, he then asked me, "What would you say if you were asked if you knew anything about a shipment of Hawk missiles to Iran in November of 1985?" And I said I would tell the truth of the matter, which was that I had been aware of it, and I knew about it. That I had known about it at the time, but that I did not, and do not know who had authorized it, or how and where the authorization took place.

Q What was his response?

A He said fine.

Q What else was said at this meeting?

A I don't think much of anything else. A bit of chit-chat. I told him I hoped that his position would be secure, and that nothing bad was going to happen to him, despite all the rumors.

Q What led you to make that statement?

A There were a lot of rumors, as there had been,

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intermittently, for months, that Ollie would be dismissed.

Q What was his response?

A He said that he served at the pleasure of the President and any time the President thought that he, North, was becoming a burden, he would be happy to leave.

Q Do you recall anything else of significance that was said at the meeting? If you don't remember anything, then you can say so.

A Ah, yes. He said words to the effect that he was going to--that he had had some things which he was saving for his grandchildren, which he was now, unfortunately, going to have to shred.

Q Did he explain why he was going to have to shred these things?

A No. Nor was it at all clear to me, one, whether he was serious about it, two, what he was referring to. It did not suggest to me, for example, that he was talking about documents because documents are not the sort of thing one normally saves for one's grandchildren.

Q By this point you knew that Justice Department attorneys were investigating the Iran arms initiative, correct?

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A Yes.

Q Did you connect his statement about shredding to that investigation?

A I really didn't think much about his statement, to tell you the truth. You have to keep in mind that I had worked with him for the better part of two years at that point. I had found him, all the way through that period, to be quite scrupulous in observing all manner of legalities, not simply trying to--as he's been portrayed in public sometimes--try to go to the limit of the letter of the law while trampling all over its spirit.

I had, for example, worked with him during the Achille Lauro affair, in which he was under enormous pressure to do all kinds of things, and he had, at every step of the way, meticulously, double and triple-checked everything with a variety of lawyers, to make sure that everything we were doing was technically legal and proper.

And he had repeatedly assured me that with regard to his Central American activities, about which I didn't know much, that all of that had been very carefully checked by lawyers, and had been guaranteed, been assured that it was proper.

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And the McFarlane statements in the fall of 1985 had made a very great impression on me, when McFarlane had said to the congress people who were investigating North, that he, McFarlane, had personally authorized everything that North was doing, and that if anybody had a complaint they should please go to McFarlane, because I had nothing but the highest respect for McFarlane, who I knew to be a scrupulously rigorous observer of the law.

So it really never entered my head that Ollie had done anything improper, let alone illegal, or therefore that he had anything to hide form any investigation. So it really wasn't something on which I focused very closely.

Q When did you next speak with Colonel North after November 21?

A I believe the next time was the afternoon after the Attorney General's press conference.

Q Did you watch some of the press conference on television?

A Yes.

Q And did you call Colonel North shortly after the press conference?

A Yes.

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Q What was said in that conversation?

A He told me that--

Q What did you say to him?

A I told him sorry, and if there was anything I could do to help, I'd be happy to do it. And he said that he had gone, he had resigned the day before, that he had met at ten in the morning with the Attorney General, the President, with Poindexter, and I think with Don Regan, and they had gone over the problem, and they had asked Ollie what he thought ought to be done.

And he had given them a list of his priorities in which he said he thought the important things were the country, the President, the Democratic resistance, the hostages--I don't remember the order, but they were things of that nature.

And that he was way down near the bottom of that list, and he would do whatever was necessary. And that he then went back to his office, and the next thing he knew, someone called him to urge him to turn on the television set because the President had just announced that Ollie had been fired.

Q Was he surprised that he had been fired?

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A I don't think he was so much surprised that he had been fired as he was surprised that he had not been informed of his having been fired before the public announcement.

Q And was he disappointed about that?

A Yes.

Q Did you ask him about the alleged diversion of funds to the contras which Attorney General Meese had discussed in the press conference?

A No.

Q Why not?

A My call was--I was making a condolence call. I wasn't making an investigative journalist call. It seemed to--it would have been in bad taste, I thought.

Q Did Colonel North say anything else about the meeting he had had at ten o'clock with the President, and the other people you described?

A No.

Q What else did he say in the phone conversation?

A He would be in touch.

Q And did you talk to him again after that phone call?

A I don't think so.

MR. BARBADORO: Let's go off the record for a

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second.

[Brief discussion off the record.]

MR. BARBADORO: Maybe the best thing to do is get all the questions in for this period of time, and I would defer to Mr. Eggleston, if he has any questions for this period.

MR. EGGLESTON: Thank you.

EXAMINATION BY COUNSEL FOR THE

HOUSE SELECT COMMITTEE

BY MR. EGGLESTON:

Q Mr. Ledeen, I just have a couple of questions. First, you indicated that in this conversation--you can't exactly place when--the first conversation that you had with him, with Colonel North about "perhaps you should get a lawyer", you'd indicated that he had said that he had been advised to get a lawyer.

Did he indicate to you who he had spoken to, or who had advised him he should be getting a lawyer?

A These same unnamed Justice Department people.

Q But it was your understanding it was someone in the Justice Department who advised him?

A That's what I recall.

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Q Nothing more specific? It wasn't the Attorney General? It was someone else?

A No, I don't have the impression that it was someone like the Attorney General.

Q Nobody at that level?

A No.

Q This is a somewhat unrelated question. When you talked about the Achille Lauro affair, and you said he had worked with lawyers, that was a situation where you were actually irvolved personally. Do you remember which lawyers he worked with in order to check the legality of his actions?

A Yes. It was mostly State Department lawyers, Sofaer and company, and with U.S. Attorney Larry Barcella, whom I'd known from the Wilson-Terpil business.

Q Was Paul Thompson consulted during that time?

A I'm sure he was, yes.

Q The last question I have for you is, over the weekend, or the period of time, November 20th to November 25th, did you talk to any Department of Justice officials about this matter?

A No.

Q Nobody from the Department of Justice. You've now

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learned from the same hearings that there was some investigation going on. No one from the Department of Justice contacted you?

A No.

Q Did you have any conversations with Attorney General Meese over this time period?

A I had a conversation with Attorney General Meese on the 16th of November.

Q 16th of November?

A Yes.

Q And that was about--I will not go into it--but that was about the matter that you've spoken to us previously in an interview?

A Yes.

Q You don't recall any telephone conversations with the Attorney General around the time period of November 22nd, 23rd, 24th, 25th?

A No.

MR. EGGLESTON: Okay. Thank you.

EXAMINATION BY COUNSEL FOR THE HOUSE SELECT COMMITTEE

BY MR. LEON:

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Q Let me ask you, Mr. Ledeen: when Ollie described to you that there was an investigation going in, did he mention with regard to the meeting the prior day, that he was at, with the Attorney General, and Mr. Casey, and Mr. Poindexter and others, that there was a discrepancy over whether or not there was--to what extent there was any United States Government knowledge of weapons in the 1985 time period?

A No. I didn't know anything about this confusion or disagreement, or whatever you wish to call it, until well after that.

Q Okay. So he didn't crystallize for you the issue that was being investigated, so to speak, by the Department of Justice?

A No. All he said was it was an investigation of an alleged, an allegedly illegal shipment of Hawks to Iran in November.

Q The next morning when you met with him, Friday morning, the morning after his--the day following his meeting with the Attorney General on the 21st--was there any mention of shredding of documents on that occasion, that morning?

A Not that I can remember.

Q That wasn't until later that day, in the afternoon?

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A Right.

Q Okay. Do you know an attorney named Tom Green?

A No.

Q Had Ollie ever mentioned him in your presence?

A No.

Q How about Leonard Garment?

A Yes.

Q Were you aware that Ollie had met with Leonard Garment in that summer of '86?

A Yes.

Q In July. Do you know why they met?

A They met because--I think they met because Ollie was under pressure, there was some talk that people, some people wanted Ollie out, and Ollie talked to Leonard because Leonard is a very knowledgeable man about the political process of this city, and he was someone to whom a person like Ollie, in such a situation, would want to bounce ideas and have conversations, to see what did he think, what had he heard, and just go for wisdom and advice.

Q Do you know if he asked him for any legal opinions as to Ollie's conduct in the past?

A I don't know. I wasn't present at the conversa-

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tions.

Q Okay. He met with Tom Green shortly after that, within a week's period of time after that. You were not aware that he subsequently met with Mr. Green?

A No.

Q Okay. I think you mentioned, just a few minutes ago, that Ollie had commented about he sought legal advice with regard to his conduct on the Central American front?

A Yes.

Q Did he mention who any lawyers were that he had sought advice from for that area?

A No.

Q Had he ever mentioned to you that he was thinking of altering any documents?

A No.

Q Or that he had altered any documents?

A No.

Q Just a general question in terms of the relationship between McFarlane and North. Was it still a close relationship after McFarlane had left the position as NSC advisor?

A I really can't speak to that because I don't think I saw them together after that, with the exception of the ten

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minutes or so at my house that morning.

Q Was there anything to indicate that they were at odds with one another?

A No.

Q Or "on the outs", so to speak?

A No. Certainly, when Bud was National Security Advisor it was a very close relationship.

Q You mentioned that one of the reasons why McFarlane might have told you to not say that you were on a mission for him was that he might have been trying to protect you?

A Yes.

Q Was that a natural reaction of Bud McFarlane, do you think? Is he the kind of person who tends to try to protect his friends or associates?

A That's the way I've always thought of him.

Q Did Ollie ever mention to you that he thought of himself as a scapegoat, on that Friday, the 21st, or on any earlier occasion? That he was going to be a scapegoat in the future?

A No. He had said, for a long time, that he expected soon, or later, that he would be fired, but he thought of that as normal and predictable for someone involved in

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controversial activities. At a certain point, when they become too controversial, people at his level are asked to leave, and he expected that. He didn't talk in terms of being a scapegoat.

Q Had he ever intimated to you that he thought he might be doing things that were illegal?

A No. On the contrary. He always said that everything he was doing had been cleared and was legal.

Q And when he made that comment to you about, "I might have to shred some of these things I've been saving for my grandchildren", or words to that effect--when you heard him say that, did it occur to you at that point, well, maybe there'd be something illegal about what he's about to do, and that therefore you should caution him not to do it, as a friend?

A No. It never occurred to me that he ever had, or would do anything illegal.

Q One last area. The conversation you had with him--I just want to make sure I've got these dates straight in my mind. The conversation you had with him after the Attorney General's press conference, when you talked to him on that occasion, he was in his office, wasn't he, when you talked to

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him?

A I think so. It may have been later in the day, and he may have been at home by then. I don't know. But I think he was in his office.

Q You don't think he was at a hotel room anywhere, do you?

A No. Not that I know of.

Q Okay. Did he make any reference to having been talked to by the President over the telephone?

A No. He was angry. He was angry at having been treated that way. I mean, it's a pattern of behavior. Most everyone who's been fired in this Administration has been fired exactly that way.

Q Blindsided.

A Not being told in advance, learning either through the newspapers or television. So, I mean, he's just the latest in a long string. But everyone always reacts that way, which is--it's a very, singularly unpleasant way to be fired. It's much better if they tell you earlier.

Q You are aware, are you not, of testimony that he got a phone call from the President at some point?

A Yes.

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Q So was it your impression that you talking to him was prior to his getting that phone call?

A That's my impression, but it may be that--

Q Could be otherwise?

A Yes.

Q Well, when you did speak to him on the phone, he recounted a meeting that he had attended?

A Yes.

Q Was it your impression that that meeting had taken place that day, the 25th, earlier that morning?

A Yes.

Q And it was just those four people that you mentioned?

A Yes.

Q Did he say where the meeting took place?

A I don't remember.

Q And did he say what the President said during the meeting?

A He said that he, Ollie, would hear from them.

Q And he also gave you the impression that he, Ollie, had already resigned at that point, the prior day?

A Had resigned the prior day, yes.

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Q So the purpose of the meeting wasn't to tender his resignation to the President?

A No.

Q At least your impression.

A That's right.

MR. LEON: Thank you.

MR. EGGLESTON: Paul, there were some questions that were asked at the very beginning that confused me. Can I just ask two follow-up questions?

MR. BARBADORO: Sure. Let me just ask one, first.

EXAMINATION BY COUNSEL FOR THE

SENATE SELECT COMMITTEE

BY MR. BARBADORO:

Q The call that you made on the 25th to Colonel North, you called him at his office, correct?

A Correct.

EXAMINATION BY COUNSEL FOR THE

HOUSE SELECT COMMITTEE

BY MR. EGGLESTON:

Q Mr. Leon asked you some questions that had some facts in them, and I wasn't sure, in your answers, whether you knew the facts.

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He mentioned to you I think about a meeting that had taken place on the 20th among the Attorney General and Casey and Poindexter, and then you responded to the question, but I didn't know, from your response, whether you knew that that meeting had taken place.

A I had not.

MR. EGGLESTON: You did not know that meeting took place. Okay. That's all I want to know.

MR. KERR: Paul, if I can.

MR. BARBADORO: Yes.

EXAMINATION BY COUNSEL FOR THE SENATE SELECT COMMITTEE

BY MR. KERR:

Q Let me just ask a couple of questions, some more detail on the "get a lawyer" conversation that you had, that you placed prior to November 21. Where did that conversation take place?

A The conversation when he said that there were people investigating from the Justice Department?

Q Yes.

A I think I said that I don't remember either when, or precisely where.

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Q Do you have any recollection of who else might have been present, if anybody?

A There was no one else present. There was never anyone else present when North and I spoke in his office.

Q All right.

A And I lean in the direction of believing that that conversation was a telephone conversation in any case.

Q Did you act in any way upon the suggestion that you get a lawyer?

A No. I told him I thought it was silly and that no one was going to call me. In fact no one did call me.

Q So you didn't make inquiry of any attorneys that you knew?

A No.

Q And there would be no records, that you know of, that they, or other people might keep of such an inquiry, that would help us place in time when it actually occurred?

A That's correct.

Q And you didn't keep any notes on it, I take it?

tB A That's right.

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BY MR. BARBADORO:

Q As I mentioned before, Mr. Ledeen, we all know you've been questioned at great length about these matters, and I want to go over some of the meetings you had with people in Israel, and elsewhere, in the summer and fall of 1985, but I'm not going to ask you to recount every detail from those meetings because you've testified about them before.

I want to focus on certain matters with you, that may or may not have been discussed in those meetings. I'm particularly interested in discussions about the pricing of weapons and about the issue of replenishment, and I hope we can move through these meetings relatively quickly.

Let me start with a trip that your travel records show that you made to Israel on May 1, 1985. Do you recall that trip?

A Yes.

Q Who did you meet with in Israel?

A I met with Prime Minister Peres, and I met subsequently with Shlomo Gazit.

Q In general terms, would you just describe what you discussed in your meeting with Mr. Peres.

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A I discussed the inadequate information that the Government of the United States had about Iran, and about Iran's role in international terrorism. And I asked him if he felt that Israel had a satisfactory understanding of that situation. He said no, but that he agreed that it was an important matter and he proposed to create a study group, or whatever you care to call it, who would try to pull together what Israel knew about Iran, so that we could compare notes and try to achieve a better understanding together.

Q Did he ask you to convey a message to Mr. McFarlane?

A Yes.

Q What was that message?

A Said that they, Israel, had been asked by the Government of Iran to sell to Iran a certain quantity of--I think it was artillery shells, but it could have been artillery pieces--I don't recall--and that they would not do this without explicit American approval, and would I ask McFarlane if the United States approved.

Q Did he mention a specific kind of artillery shell, or artillery?

A I don't recall.

Q And you can't recall the quantity that he was

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talking about shipping to Iran?

A There was a quantity but I don't remember it.

Q Was this shipment linked in any way to the potential release of hostages?

A No.

Q Was there any discussion at your meeting with Mr. Peres about getting hostages released?

A No.

Q Were TOW missiles discussed at that meeting?

A No.

Q Was Ghorbanifar's name mentioned at that meeting?

A No.

Q Was there any discussion at the meeting about improving U.S. relations with Iran by shipping weapons to Iran?

A No. There was no discussion of the relationship between the United States and Iran at all.

Q Did Mr. Peres explain why he wanted to ship this artillery or artillery shells to Iran?

A He said that Israel had found it useful to have channels into Iran, that if we were interested in getting maximum information out of Iran, that this was one way. Those

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sort of channels helped them get information.

[redacted]

Q And is it also fair to say that at this meeting, he expressed a willingness to try to cooperate with the United States in improving the quality of the intelligence that was available on Iran?

A Yes.

Q After this meeting in May, you returned and briefed Mr. McFarlane on what Mr. Peres had to say, correct?

A Correct.

Q And at that time, or shortly thereafter, there was discussion about you taking a second trip to Israel?

A Well, I had intended to take--I had expected to, and asked to take a second trip rather sooner than I ended up doing, because my understanding with Gazit had been that I would check to see what our knowledge of Iran was, and he would do the same in Israel, and then we would meet to compare notes.

Q Let me jump back and ask you about what was the

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purpose of meeting with Gazit?

A Gazit was tasked by the prime minister to coordinate Israeli knowledge of Iran with us. So that he would then-- Gazit was a former head of military intelligence, and so Gazit would pull together what was known from their intelligence community, from their various sources, as well as from a variety of non-governmental sources.

[redacted]

Q Let me jump back ahead, then, to your meetings with McFarlane after the May trip. Did you learn, at some point in May, or early June, that your next trip to Israel had to be postponed because Secretary of State Shultz had found out about your earlier trip, and was angry about it?

A Yes.

Q Who told you that?

A McFarlane.

Q Did McFarlane explain why Secretary Shultz was angry about your trip?

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A No, and it was a bit embarrassing since Mr. McFarlane had previously told me that he was going to tell Shultz about the trip before it took place.

Q Did McFarlane explain to you why he had not told Secretary Shultz about your trip?

A No, but someone in McFarlane's position frequently gets so busy that he simply doesn't have a chance to relay a message of non-earthshaking import to the Secretary of State. So I imagine that it was just some mechanical reason, that it hadn't happened.

Q Did McFarlane tell you that Secretary Shultz had expressed hostility about the purpose of the trip?

A No.

Q Did McFarlane tell you that you were to have no further contact with people in Israel about using Israel to gain intelligence information about Iran?

A No. He told me to do nothing for a while, and that he would talk to Shultz about it.

Q As he characterized it, he wanted you to postpone it for a while rather than to cancel it altogether, is that right?

A Yes.

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Q And do you recall a luncheon meeting with Mr. Schwimmer in July of 1985?

A Yes.

Q How was that meeting arranged?

A Mr. Kimche called me from Israel and said that a friend of his was coming to Washington and would like to see me.

Q Did Mr. Kimche tell you why Mr. Schwimmer wanted to see you?

A No.

Q According to a PROF message that Wilma Hall sent to McFarlane--excuse me--a memorandum that Wilma Hall sent to McFarlane, your meeting with Mr. Schwimmer was on July 11, 1985. Does that strike you as the approximate time when the meeting occurred?

A Yes. I would have--I must say, I would have said a bit earlier in the month.

Q Okay.

A Are you sure that she said July 11th?

Q I'll tell you that the message is dated July 11. It is to Robert McFarlane from Wilma Hall, and the message says: "Schwimmer has flown down here and had lunch today

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with Michael Ledeen, and Ledeen called back with the following". Do you recall telling Wilma Hall that you'd met with Schwimmer?

A Oh, yes.

Q And passing a message through her to Mr. McFarlane?

A Yes.

Q Wilma Hall has described the message you relayed in this way, and I'll quote it to you. Quote: "It is indeed a message from Prime Minister of Israel. It is a follow-on to the private conversation he had last week when David Kimche was here. It is extremely urgent and extremely sensitive, and it regards the matter he told David he was going to raise with the President. The situation has fundamentally changed for the better, and that I must explain to him because it will affect his decision. It is very important, it won't keep more than a day or two, but could keep until Saturday morning. This is the real thing and it is just wonderful news."

Do you recall giving that message to Wilma Hall to relay to Mr. McFarlane?

A Yes.

Q Let me ask you some questions about it. Did Mr.

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Schwimmer say to you that he was giving you a message from the prime minister of Israel?

A Yes.

Q Did he say that it is "a follow-on to the private conversation that had been had last week when David Kimche was here"?

A I don't remember that, but I don't have any reason to doubt it.

Q And it says that "It is extremely urgent and extremely sensitive and it regards the matter he told David he was going to raise with the President".

Do you know what that sentence means?

A Yes. I think that what happened was that the Israelis had met Ghorbanifar some time before, and my impression at the time was that they had very recently, only very recently met him, but it may be that they had met him a couple months earlier, as now appears, and had just taken a while to figure out whether he was someone that they wanted to put forward in this role.

In any event, as I understand it, what McFarlane had been told was that they had met an extremely interesting Iranian, and the question was whether--and this Iranian

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wanted to talk to the Government of the United States, and it was a question of whether the United States was interested in picking up this contact and pursuing it.

Q I refer specifically to the reference to "the matter he told David he was going to raise with the President". Does that mean that it relates to something that Kimche had told McFarlane and McFarlane had told Kimche he was going to raise with the President? Is that what that sentence means?

A I'm going to have to guess as to what that sentence means because I don't remember what I had in mind.

Q Well, who did you think was talking to the President about this initiative?

A McFarlane.

Q And what did you think McFarlane was telling the President about the initiative prior to your meeting with Schwimmer?

A I doubted that McFarlane had told the President anything about this initiative before then, because so far as I knew, there was nothing of any significance to report.

Q Was it your understanding that Kimche had met with McFarlane to discuss the initiative, prior to your meeting

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with Schwimmer on July 11th?

A I hadn't known about that. And in fact I must confess to you that I had forgotten that Schwimmer had told me about it until you just read me Wilma's note here.

Q Well, Wilma quotes you a saying it is "a follow-on to the private conversation he had last week when David Kimche was here". Does that refresh your memory as to whether Kimche had met with McFarlane prior to your luncheon meeting with Schwimmer?

A As I told you, I had not remembered Schwimmer telling me that until you just read that to me.

Q Do you remember it now?

A No. I don't particularly remember it now. But I have every confidence in Wilma's accuracy, so I'm quite sure it's right.

Q And do you have any present recollection of Mr. McFarlane telling you that he had been discussing your meetings with the Israelis with the President, prior to July 11, 1985?

A No.

Q And my reading you this note from Wilma Hall doesn't refresh your recollection about that?

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A No. I would guess that the reference of David discussing something with the President would refer to a matter that Bud was going to take to the President as a result of his conversations with David Kimche, and not because of anything I had done. A new subject. There was nothing in what I had done that had to go to the President.

Q Let me ask you about the luncheon meeting with Mr. Schwimmer. That meeting was the first time where anyone had mentioned Ghorbanifar's name to you, correct?

A Correct.

Q And in the meeting, Mr. Schwimmer explained that he had had contact with Mr. Ghorbanifar, and that Mr. Ghorbanifar might be able to help us in establishing better relationships with Iran?

A Mr. Ghorbanifar could be helpful to us in a variety of ways with regard to Iran. He had exceptional contacts in Iran, in many different sectors of Iranian life, and with very high-ranking government officials. And in addition, Mr. Ghorbanifar said there was a possibility that the American hostages in Lebanon could be sprung in exchange for a certain number of TOW missiles.

Q In a message that Mr. McFarlane sent to Secretary

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of State Shultz two days later, on July 13, he describes a proposal by an Iranian official, which was endorsed by the Government of Israel. He doesn't name Mr. Ghorbanifar, but by reading the message, it's clear that the proposal he's talking about is Mr. Ghorbanifar's proposal as relayed to you through Mr. Schwimmer.

And he describes the proposal as having both "short-term and long-term dimensions" to it. The short-term dimension concerns the seven hostages; the long-term dimension involves the establishment of a private dialogue with Iranian officials on the broader relationship.

Is that consistent with your recollection about what Mr. Schwimmer described to you in this luncheon meeting?

A Yes.

Q And the short-term dimension involved a proposal that concerned the exchange of U.S. arms for hostages, correct?

A I think it's not correct.

Q How would you describe it?

A I would describe it differently, and I would say that I think in Schwimmer's original presentation--it was given to us in an excessively compressed form--and when I met

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with Ghorbanifar and he explained what was involved, the linkage between what McFarlane calls short-term and long-term was much clearer, and I think that McFarlane may have gotten a better picture of it from Kimche than I had gotten from Schwimmer.

The notion was that there were people in Iran, some in very high positions in the government, who were interested in a better relationship between Iran and the United States.

And they were interested in taking steps in that direction. That they were prepared, on their part, for their part, to make a series of gestures which would demonstrate to us two things. First, their willingness to move Iran in that direction, and second, their capacity to bring about changes in Iran that would move the country in a more moderate direction, the one case in which I think the word moderate is used directly.

And that as they made these gestures, among which one would be obtaining the release of hostages in Southern Lebanon, the United States would be expected to make a gesture also. And that the one gesture which would convince the Iranians that the United States was also willing and able to move in the direction of this better relationship, would be

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if Iran could obtain weapons which the Americans had denied them because of our arms embargo. That's the way I would describe it.

Q In this message to Secretary of State Shultz, McFarlane specifically mentions TOWs and specifically mentions a quantity of 100 TOWs.

Do you recall Mr. Schwimmer telling you that in the luncheon meeting in July?

A Yes. I think that's right.

Q Was there any discussion about pricing, at what price these TOWs would be sold to Iran, in this July meeting with Mr. Schwimmer?

A No.

Q Was there any discussion about U.S. replenishment of Israeli TOWs in this July luncheon meeting with Mr. Schwimmer?

A No.

Q Is it fair to say that the next contact you had with the Israelis on this matter was in July, when you travelled to Israel on a vacation?

A Yes.

Q And prior to going on that vacation, you obtained

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Mr. McFarlane's approval to meet with Ghorbanifar and Schwimmer, Nimrodi and Kimche, in Israel, correct?

A Correct.

Q What instructions were you given by Mr. McFarlane about what you were authorized to do on that trip?

A I was authorized to meet and to learn as much as I could, and then to report back to him on what had taken place.

Q You weren't given any authority to approve this proposal that involved the exchange of missiles as a gesture of good will, which would in turn result in the release of hostages?

A I think it was inconceivable that a person at my level could negotiate anything regarding such matters.

Q And you weren't given any instructions to negotiate by Mr. McFarlane, and you did not negotiate, is that right

A That is right.

Q Tell me how much time you spent with Ghorbanifar, Schwimmer, Nimrodi and Kimche during this trip to Israel in July.

A I would say the better part of two days.

Q And in general terms, is it fair to characterize your meetings as discussions about Ghorbanifar's proposal?

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A Yes.

Q And at this point did you learn more details about the proposal than you had learned in the luncheon meeting with Mr. Schwimmer?

A Mainly we learned a great deal more about Iran. Since Ghorbanifar was saying that a change in the relationship was possible, we were quite curious about what it was in Iran that would make a change come about, after so many years of violent hatred on the part of the Iranians toward the West in general, and the United States and Israel in particular. So why now, and how could it be that they were now thinking in terms a new relationship in which not only were they willing to contemplate better relations with the United States, but even had a man travel to Israel and deal with the government of Israel in this connection?

Q At this point, would it be fair to characterize Ghorbanifar's proposal in the same terms that Mr. McFarlane did, in that it had a short-term dimension and a long-term dimension?

A Yes.

Q And that the short-term dimension was part of achieving the longer-term dimension?

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A Yes.

Q I want to focus on the short-term dimension of this proposal. When you left this series of meetings with Ghorbanifar, Schwimmer, Nimrodi and Kimche in July, did you understand the short-term dimensions of this proposal to be that the United States would make a gesture by allowing Israel to ship 100 TOWs to Iran, and that in turn, the Iranians would make several gestures, one of which was to effect the release of hostages?

A Yes.

Q So it was your understanding in July, that the figure of 100 TOWs was still being discussed at that point?

A I don't remember that, to tell you the truth. It could very well have been, and it may not have been.

Q Do you recall any discussions in these meetings in July about the issue of how much Iran was going to pay for the TOWs?

A No.

Q And do you recall any discussion in these meetings in July about whether the United States Government would replenish the Israeli stock of TOWs?

A Yes. That question was raised.

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Q Who raised it with you?

A Well, at a minimum, Defense Minister Rabin raised it with me.

Q What did he say to you?

A He asked me whether Israel would be permitted to buy TOWs to replace the ones that they were selling to Iran, because he was not enthusiastic about depleting their stockpile of TOW missiles.

Q And what was your response to that statement?

A I told him that I wasn't competent to answer the question.

Q Did you pass on his concern about replenishment to McFarlane, when you returned to brief him on the trip?

A No.

Q Did Kimche say anything to you about the issue of replenishment during these July meetings?

A I don't think so.

Q Did you keep any notes of what was said at these July meetings?

A I did at the time, yes.

Q Did you turn them into anybody?

A I gave McFarlane a set of notes regarding what

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Ghorbanifar had had to say about Iran, and the picture of the situation in Iran.

Q Notes that you prepared from the discussion with Ghorbanifar?

A Yes. These were extremely long conversations, so that part of the time Kimche took notes, and part of the time I took notes, and when it was over, we sat down and typed up our notes, respectively, and got an overall copy of what had taken place and this was given to McFarlane.

Q And you do not have copies of those notes today, do you?

A No. I do not. Haven't you found those?

MR. BARBADORO: Off the record.

[Brief discussion off the record.]

BY MR. BARBADORO:

Q Do you know, did Kimche get a copy of those notes?

A I suppose he did. I don't know, but I presume he did.

Q At these meetings in July, was Ghorbanifar holding out the possibility of introducing you and the Israelis to senior Iranian officials?

A Yes. And not only senior Iranian officials, but

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Iranians from various sectors of Iranian society and activity.

Q And was that part of the appeal of this proposal to you and to the Israelis?

A It was, frankly, the major part of the appeal to us. By the way, if I could just add one thing, because it is always forgotten in these conversations, and that is, that in addition to the seven American hostages in Lebanon, there were twelve Jewish hostages being held by Hezbollah, and the Israelis were concerned about them and were trying to do what they could. They were trying to help in that situation as well.

Q I take it that when you returned to the United States after this trip, that you briefed McFarlane on what had transpired, correct?

A Well, Kimche had already briefed him. Kimche had come to Washington early in August.

Q While you were still in Israel?

A Yes.

Q And Mr. McFarlane's calendar shows that that was on August 2nd. Does that sound right to you?

A Yes.

Q And it was your understanding that Mr. Kimche was

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going to brief Mr. McFarlane on the proposal, wasn't it?

A Yes.

Q When you returned in August, did Mr. McFarlane say anything to you about whether he had discussed this proposal with the President?

A Yes.

Q What did he tell you?

A He told me the President had approved it.

Q And when you say the President had approved it, you understand that to mean that the President had approved this proposal with two dimensions, and the short-term dimension being the sale of TOW missiles from Israel to Iran which it was hoped would result in a reciprocal gesture from Iran that would involve the release of hostages?

A Yes.

Q Was it your understanding that it would involve the release of all the U.S. hostages?

A It was what the Iranians, through Ghorbanifar, had said they would attempt to do. I did not expect all the hostages to come out. Indeed, many of us- [redacted] expected that no hostages would come out. But it seemed to most of us, that it was important to test the overall

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situation, not simply the capacity or the willingness of the Iranians to do that, or the other things, which were also important.

One was, after all, an end to Iranian-sponsored terrorist attacks against Americans and American targets. Another was a change in the public rhetoric of the regime, which did take place, both of those. But it was a way of testing the legitimacy of Ghorbanifar as a channel, to see whether the contacts he had were indeed the ones that he said he had, and not least of all, to discover whether, indeed, Iran was capable of having any influence over the situation of hostages in Southern Lebanon, because this was not known.

Indeed, I would say that most of the experts on terrorism at the time would have argued that Iran did not have that capacity, and that if you had polled the terrorist experts--not only in the United States Government, but I would say throughout the West on this--most of them would have said no. I think most of them would have thought that Syria, only Syria could effect the release of hostages in Southern Lebanon.

Maybe 20 to 25 percent would have said Iran, and the rest would have said it's a matter of independent

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"crazies" or groups of one sort or another. So that the investment, if you like, of a quantity of TOW missiles at that point, was a way of testing many different things at once.

And to think of it simply in a narrow context of American hostages in Lebanon is, I think, a big mistake. It's conceptually wrong. That there were a lot of things that--I mean, you put your TOWs into that slot and pulled the lever, and you had a possibility of a lot of different things coming out.

Q One more question about the July meetings. You spent two long days with this group of people. Do you recall any discussion during that period of pricing of these TOW missiles?

A No.

Q Is that because you think there was no discussion, or you simply can't recall any discussion?

A Look, I made it clear to all of these people that I was not going to be involved, in any way, in the technical questions associated with this. That my role was that of a person who could attend meetings, who could try to express in a general way to help people understand what the position of

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the United States Government was about these various things, and how I thought people might be likely to respond.

I could answer hypothetical questions, and so forth. That I was there to listen to what they had to say and to report back to McFarlane.

So that insofar as there was anything operational in all of this, whether this had to do with how airplanes were going to go to Iran, or how much things were going to cost, or money being handled, and so forth, I was not going to be involved in those things. That was their problem.

Q Is it your position that any discussion about pricing of TOWs would have occurred outside of your presence during these July meetings?

A That's correct. I was asked at some later date, by Schwimmer, by telephone from Israel, to please check and see how much a new TOW missile cost, and he was so alarmed by the price that I obtained from the Pentagon that he never asked me that question again.

Q All right. Could you just give me your best estimate as to the date of that call.

A I think that call probably took place some time in the middle of September. But I could be off by a month in

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either direction.

Q Back to the July meetings, you recall discussing with the parties there, that no one was to make a profit on these transactions, don't you?

A Yes.

Q And you were the one that made the statement about no one making a profit?

A Yes.

Q And can you explain why you made that statement.

A I made the statement for the simple reason that it was obvious to me that all of us being involved in such a matter were going to be accused of having made a profit, no matter what we did, and that we were going to have to be in a position of demonstrating greater purity than Caesar's wife. So that I wanted all of us to be in a position where, when we were accused of making money, we would simply say to everybody, okay, here are my accounts, take a look at it all, and you find it for me, and you will see that it is not there.

And I wanted them to handle the accounts on all these transactions in such a way they could always point to them and say, look, it just didn't happen; you can't find it here.

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Q And did they accept that?

A Yes.

Q Your records show that you made a one-day trip to London on August 20, 1986. Do you recall that trip?

A Yes.

Q Did you obtain approval to make that trip from Mr. McFarlane before you made it?

A Yes.

Q And what was your purpose in making that trip?

A To confirm with Kimche that the President had approved the test, and to give him a code in which we could communicate by telephone, should it be necessary for him to tell us when and where the possible pickup of American hostages in Lebanon would occur.

Q Prior to going to that meeting, did Mr. McFarlane tell you that there were certain preferred locations where the hostages should be released?

A Yes.

Q And did you tell that to Mr. Kimche when you met with him in London on the 20th?

A Yes.

Q Other than telling him that the President had

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approved the initiative, that there were certain preferred locations for the hostages to be released, and that you gave him the one-time code to be used, what else did you talk about?

A I think that's it. Was there anything else?

Q Was there any discussion of replenishment at this meeting on the 20th?

A Not that I recall.

Q Was it your understanding at this time that the initiative involved 100 TOWs, or more than 100 TOWs?

A I don't really recall.

Q Do you recall whether you understood the initiative to involve a one-time shipment of weapons or a sequence of shipments of weapons?

A I think I remember it as a staggered sequence. That is, a certain quantity of weapons would go in, and then something good would happen with regard to the hostages, and then a subsequent quantity of weapons, and however many hostages were finally going to come out.

Q As you now know, a 100 TOWs were shipped from Israel to Iran on August 30, 1985, and no hostage was released. What happened after the TOWs were shipped and no

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hostage was released?

A They shipped more TOWs.

Q Was there any discussion between you and Mr. McFarlane about the fact that the first shipment of TOWs had been made and no hostages had been released?

A Yes. And I think in fact that there was a meeting in Paris between the first shipment and the second shipment.

Q Was that meeting scheduled because no hostages had been released, as you thought was going to happen after the first shipment?

A Yes.

Q And did McFarlane approve you going to that meeting?

A Yes.

Q And could you tell me what the purpose was of that meeting.

A The purpose of the meeting was to decide where--if anywhere--we were going to go from here.

Q This meeting was attended by you, Mr. Schwimmer, Mr. Nimrodi, Mr. Kimche and Mr. Ghorbanifar, correct?

A Correct.

Q Did Mr. Ghorbanifar have an explanation as to why no hostages have been released?

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A Yes.

Q What was it?

A The wrong people had gotten the missiles.

Q What does he mean by that?

A Well, he meant that the missiles were supposed to go in such a way as to permit a moderate faction of the armed forces to get their--to obtain them, or at least to obtain the credit for having gotten them, and instead, some of the nasty revolutionary guards took possession of them.

Q And did he promise that if more missiles were sent, that this time hostages would be released?

A Yes.

Q Did you believe him?

A I think it's the wrong question, with all due respect.

Q Well, did you urge that the initiative continue at this point?

A I don't recall that I urged one thing or the other. I think the consensus was that as between 100 TOWs and 500 TOWs, it wasn't such a big difference, so that one could pretend to having been pure at a hundred and corrupt at five hundred.

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And that if one was seriously interested in testing it, that a good deal of what Ghorbanifar had to say about what had happened was plausible, and that if you wanted to test it, you might as well go ahead and test it, and this would constitute the final test, if you will.

So I think on that basis, the consensus was might as well go ahead and give it a try, and see how it all ends. Now I think we learned an awful lot from both the first hundred, and the second four hundred, and I think that probably on a cash basis, it's one of the best investments that anybody ever made, just in terms of understanding the way things work.

Q Is it fair to say that as of this meeting on September 3rd, you were still an advocate of pursuing the initiative?

A By "pursuing the initiative", what do you mean?

Q I mean continuing with both the short-term and long-term dimensions of this initiative.

A No. That would considerably overstate it. My view was, I was full of suspicion of Mr. Ghorbanifar. I did not know who he was. I was deeply suspicious for quite a long time that Mr. Ghorbanifar was an agent of a hostile country,

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since, if I were a hostile country I would attempt to create a Ghorbanifar and send him to the Americans to see what their intentions were.

And this was something, after all, that the KGB has done repeatedly, and he was, for my money, potentially a classic case of this sort of operation. So I was extremely skeptical about it and I was skeptical. I came only reluctantly to believe in this. I was still basically doing what I had been asked to do at the outset, which was to try to learn more about Iran.

The one thing that was working in all of this was that we were learning things about Iran. We were learning a lot about Iran, and, actually, in an odd way, the TOW missile shipments turned out to be a terrific investment for intelligence acquisition.

Q I guess it's then fair to characterize your position as not being an advocate of the proposal during this period, is that correct?

A That's right.

Q It's also fair to characterize your position as that you were not a negotiator during this period?

A That's right.

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Q You were simply a messenger carrying information that you acquired in Israel back to Washington, so that you could keep Mr. McFarlane informed, is that right?

A Yes.

Q As of this period, September 3rd, 1985, what was the state of Colonel North's knowledge of the initiative, as far as you knew?

A As far as knew, zero.

Q You had not talked to him about what you were doing?

A The time at which North was informed of this is still not clear in my mind. I had not told him about it. At a certain point I learned from him, I think, if I remember it correctly, that McFarlane had told him about it, and in particular, Ollie said that I was supposed to tell him--I was supposed to keep him up to speed about the possibility of a hostage release, in the event that anyone had to go and get them, because he would be in charge of managing that.

So by early September, he knew at least something about it.

Q All right. You're aware that in early September, that Colonel North tasked Charles Allen to collect intelligence information on certain Iranians in connection with

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this initiative, aren't you?

A Yes.

Q So he knew enough, at least by early September, to do that tasking?

A Yes.

Q Had you told him Ghorbanifar's name?

A No.

Q The CIA was not involved in this initiative at all during the summer of 1985, correct?

A Correct.

Q Was that a conscious decision on your part and Mr. McFarlane's part, not to involve the CIA in the initiative?

A Yes.

Q What was the basis of that decision?

A First, there was no reason to. There was nothing in it that required a professional intelligence agency, and second, there was some concern that CIA was not as good at keeping secrets as it ought to be.

Q Were you aware at this time that Mr. Ghorbanifar, during the summer of 1985, had, through other parties, made overtures towards the CIA along the same lines that he made to you through Israel?

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A No.

Q You have no knowledge of any overtures that Mr. Ghorbanifar may have made through other intermediaries to the CIA during the summer of 1985?

A That's correct.

Q And was it Mr. Ghorbanifar who suggested to you that you not inform the CIA of what was--of his proposal?

A No.

Q Did any of the Israelis suggest to you that the CIA not be involved?

A No.

Q So that was a decision that was made by you and Mr. McFarlane?

A It was made by Mr. McFarlane.

Q And it was a decision with which you agreed?

A Enthusiastically.

Q Okay. On September 9, 1985, Wilma Hall sends a PROF note to McFarlane and it says on the top, RE Michael Ledeen and it says quote the issue of replacement the people who sold the soap for us want to replenish their supply. Do you recall telling Wilma Hall that around that time?

A I don't but that sounds right and probably what

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happens is that in Paris, Kimche would have said would you please check and see when we can get the hundred missiles.

Q So at that point clearly, there was discussion about U.S. replacement for the Israeli TOWs that had been shipped, correct?

A Yes, and I remembered discussing it with McFarlane at a certain point. I don't remember the date but I remember raising it with him and he said that he couldn't imagine what the problem would be. Couldn't they just buy it is the normal course of events. Why was there a need for some special arrangement?

Q All right. At some point, did you learn that the Israelis were charging the Iranians a higher price for the TOWs and the Israelis had paid for the TOWs so that they could replenish the TOWs from U.S. stocks?

A Yes, I did.

Q When did you learn that?

A I don't remember when, but I certainly became aware of it.

Q Would it have been in connection with this phone call from Schwimmer?

A It certainly was clear from the phone call with

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Schwimmer because when I quoted him a price--a price that I had been given from somebody in the Pentagon on TOW missile, he was alarmed and it sounded very much to me as if, in this case at least, he had charged the Iranians too little, rather than too much.

Q Do you recall who you contacted in the Pentagon?

A I don't.

Q Do you recall what the price was per TOW that you were given?

A No.

Q You have not even a rough sense of what the price was?

A No.

Q And in any event, when you told Mr. Schwimmer what that price was, could you, as best you can remember, describe his reaction and what he said?

A He said it's impossible, it's much too much.

Q Did he in any way tie that statement to the price that the Israelis were charging the Iranians for the TOWs?

A No.

Q What did you think he meant when he said it's much too much.

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A That it was more than he intended to pay or that he was hoping to pay. It's what we normally mean.

Q And what was your response to that?

A He then said go tell them it's much too much and I said why don't you go tell them, I'm not in the business anyway and it can't be that difficult for the government of Israel to figure out how to buy TOW missiles from the Government of the United States.

Q Do you recall any discussion with either Ghorbanifar or the Israelis around this time where it was discussed what price the Iranians would be charged for the TOW missiles that had been shipped?

A No. I didn't learn--I learned that after awhile but I didn't learn that until October or November.

Q Uh-huh. So in October or November, you learned that there was a connection between the price that Israel was going to have to pay the U.S. for the TOWs and the price that the Iranians had been charged for the TOWs?

A Yes, but that was evident because there were expenses associated with this thing and they had to be paid somehow and it was implicit, if not explicit, that the Iranians would be charged enough to cover all of that.

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Q Did you understand prior to the TOW shipments that the Iranians were going to be asked to pay for TOWs?

A Oh, yes. They were going to pay for it. Indeed, some of the most entertaining discussions were the relationship between the timing of the arrival of the TOWs and the arrival of the money in some account.

Q Okay. So you recall being present during some of these discussions?

A Yes. I remember, in particular, I shall remember it to my dying day being present at a discussion where we were searching for a method of achieving some kind of magical simultaneity whereby money could be electronically transferred at the precise moment that an aircraft entered Iranian airspace and all kinds of things of this nature.

Q Did you understand that the price that was being charged would also include the Israeli expenses for shipping the TOWs to Iran?

A Sure. That was understood.

Q Did you understand that there would be any other mark-up in the price of the TOWs?

A No.

Q You don't recall any discussion about a profit

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being made so Ghorbanifar could make some profit?

A Look, there has been a lot of talk. Ghorbanifar also had expenses. I think that the Israelis believed that some of the money that Ghorbanifar was claiming for expenses actually represented something other than expenses--money for other persons. But it was--I never heard any discussion of organizing this thing in such a way that persons would be paid nor have I ever seen any evidence that that took place.

Q Do I understand you to say that you assumed that Mr. Ghorbanifar would include the cost of his expenses in here and perhaps a mark-up as well but no one ever told you that?

A No. Mr. Ghorbanifar--I was present at discussions where people said that the expenses had to be covered. These expenses were not only Israeli expenses. Mr. Ghorbanifar also had expenses in connection with this and when they said that the expenses were going to be covered, it was going to be everybody's expenses and all those, including my expenses, were paid for by my Government. These people had quite extraordinary expenses in some cases. I mean, they were renting planes and flying them all over the world and so forth. It wasn't a minor matter. So the expenses were going

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to be covered in the pricing. That was understood. What I'm saying is that subsequently some of the Israelis suspected that Mr. Ghorbanifar's expenses were not just expenses, but that there was also some private money there for one person or another just as Mr. Ghorbanifar, on his side, suspected that the money that the Israelis took out of this also involved private money.

Q So, everybody was suspicious of everyone else.

A Yes.

Q But you had no knowledge of anybody making more than expenses out of the deal?

A I had no knowledge of it and I had their word that none would be made.

Q Prior to the TOW shipments in August and September, was there any discussion about some of the money generated by the sale of these TOWs being used to pay expenses of other persons in Iran? Other than Ghorbanifar?

A Not that I can recall.

Q No discussion of payments for expenses for any other purpose to other factions or leaders of factions in Iran to help improve Israeli or U.S. relationships with Iran?

A No.

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Q Colonel North's calendar shows a meeting with you on September 26th at 11:00 and a meeting with Mr. Schwimmer at 11:30 on the same day. Do you recall meeting with Colonel North on that day and do you recall Colonel North meeting with Mr. Schwimmer immediately after your meeting?

A No.

Q Is it fair to say that you don't remember Schwimmer being in the United States during this period?

A I don't. I think that the first time that those two met was about ten days later, when Schwimmer and Nimrodi and Ghorbanifar met with me in the EOB.

Q Okay. According to records we have, that meeting occurred on October 8. Does that sound about the right time for you?

A Yes.

Q And the people that met at the OEOB were Ghorbanifar, Schwimmer, Nimrodi, and you?

A Yes.

Q Was Kimche there?

A No.

Q What was the purpose of this meeting?

A Well, this was the first meeting since Reverend

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Weir had been released so we were meeting to assess what had happened and how it had happened and where we stood and where we were going to go.

Q Is it fair to say that Ghorbanifar was discussing the possibility of Israel making additional arms shipments to Iran?

A Yes.

Q And that he was making representations that additional arms shipments would result in additional hostages being released?

A Yes.

Q Were there discussions of any particular type of weapons at this meeting?

A Oh, yes.

Q Were Hawk missiles discussed?

A Hawks, Phoenixes, Harpoons, Sidewinders, every missile known to man or beast.

Q And what was the reaction of the Israelis when Ghorbanifar would raise a possibility of additional arms shipments?

A Well, it didn't exactly happen that way. He gave us long lists of missiles that he's like to have and I

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expressed an opinion that I thought that this was as good a time as any to get out of this whole business and that we ought to just stop talking about the hostages altogether.

Q What caused you to be reluctant to continue with the initiative?

A Because I felt that what was important for us to establish was whether there were indeed these people in Iran that Mr. Ghorbanifar had told us about. People who wanted a better relationship between the two countries and were in a position to achieve it from the Iranian side. And I was convinced, first of all, that if we acted in such a way as to permit Iran to continue to obtain American weapons of whatever description, that it would make it impossible for us ever to gauge the real intention of our interlocutors because they would say anything, do anything in order to keep the weapons coming because they desperately needed these weapons. So since the important matter for the United States, in my opinion, was to establish who these people were, and what they were all about, and what they could deliver, I felt that so long as weapons were going there, we would never be able to answer that question. And that was the question that had to be answered.

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Furthermore, I think that the business of bartering for hostages is a mistake and that in the end all you get for it, is more hostages taken, more hostages released, and I didn't want to encourage other people around the world to take Americans hostage.

Q Did you feel that, by this point, what had been a two part proposal with arms exchanges for hostages being only one small part of the proposal, had now become a one part proposal which was solely arms for hostages?

A No, because the other part was there. The discussion of the political matters had, in fact, Ghorbanifar asking us for dates when we could start to meet with some of the Iranians and try to arrange the set-up of such meetings, where could we meet them and so forth and who would be present. So that was certainly there and indeed, when I said I thought that we ought to get out of his hostage business, Ghorbanifar endorsed it. I asked him, I said look, I'm not in a position to make a decision anyway, but what I propose to say to McFarlane is that I think it's a lousy idea, what do you think. He said, I think that that is correct and that if we continue with this, we shall all become hostages to the hostages.

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Q Isn't it fair to say, though, that Ghorbanifar was very much interested in continuing with the arms part of the arms for hostages?

A There was no way to continue with the arms part of the arms for hostages without continuing with the hostage part.

Q So you think he was prepared to abandon his efforts to obtain arms for Iran as of October 8?

A All I can do is report to you what he said at the meeting. At the meeting, he said that he thought it was a mistake to continue with the hostages for the reasons stated. That we would find our hands tied and we would be unable to move on other matters because we would be locked into the hostage question. That proved to be an accurate forecast. He--there is sometimes a confusion between what Mr. Ghorbanifar believes and what he is being asked to transmit by his government and one should try to distinguish between those two.

Q Do you think you can?

A Well, sometimes you can. Sometimes you probably can't. His was, and probably still is, unusually delicate and complicated position. It's a complicated area. I don't

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know many people capable of doing it. All I can tell you is that is what he said on that occasion. And I was struck by it. And I was struck by it at the time. It was, in fact, one of the things that led me over time to revise my original profound skepticism of him because if, indeed, he were willing to take that position, then I thought one might want to re-think who he was, and all that.

Q Was Colonel North present at this meeting on October 8th?

A No.

Q As of this time, had you told Colonel North who Ghorbanifar really was?

A Yes.

Q Did you know that Ghorbanifar was also being referred by the alias of Ashgari?

A Yes.

Q But you're quite certain that you had told Colonel North as of October 8th, that Ghorbanifar's name was Ghorbanifar and not Ashgari?

A Oh, yes. I had told him what Ghorbanifar's name was. I told him, indeed, the name of the passport on which Ghorbanifar was travelling which was neither Ghorbanifar nor

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Ashgari.

Q What was it?

A ~~Krayless~~ Kralis.

Q ~~Krayless~~ Kralis. Was Ghorbanifar one of the many that got a White House tour?

A Not that I know of. I did not give White House tours.

Q Do you know whether he was shown into the White House while he was there?

A Not that I know of. I showed him only to the OEOB and out again.

Q In whose office did you meet with him?

A We met in no one's office. We used an empty conference room on the third floor.

Q Why did you decide to meet with him there rather than at your home or some other place?

A I think because originally the intention was that Ollie would attend to at least part of the meeting and it would be more convenient for him just to walk down the hall rather than to go out of the building and have to go someplace else and then come back.

Q As far as you know, did Ollie meet with them at all

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when they were in the United States at this time?

A I think that Ollie met with Schwimmer at that time and he may have met Ghorbanifar. I just don't remember but I don't think so.

[Brief discussion off the record.]

BY MR. BARBADORO:

Q Mr. Ledeen, at some point that Fall, did Mr. Ghorbanifar put you in touch with Iranian officials?

A Yes.

Q I want to ask you about one senior Iranian official in particular. Did he put you in touch with a senior Iranian official?

A He did.

Q And without referring to the time, place, or method of contact, could you describe in substance what was discussed between you and that senior Iranian official?

A The senior Iranian official told us that he believed it possible to, in essence, change the nature of the Iranian regime through peaceful, parliamentary methods--that this change in personnel would lead to a dramatic change in the policies of the country, including abandonments of terror and the abandonment of the policy of trying to violently

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export radical Shi'ism and to better relations with the western world in general, and with the United States in particular. And that he wanted to cooperate quite closely with the United States in this transformation, and asked us for various forms of modest support, more, again, along the lines of a gesture that would commit us to him rather than in terms of anything substantial.

Q What did he want from the U.S. Government?

A Specifically, he wanted some small arms for the security of himself and his allies inside Iran, some training, and some secure communications.

Q What would the secure communications equipment be used for?

A It would enable him to coordinate his moves with us and to advise us as to what the situation was and what he was thinking of doing.

Q And what were the small arms to be used for?

A To protect him and his allies against the possibility of violence from people who he expected to be defeating in his political maneuvers.

Q What kind of arms were discussed?

A I really don't remember. The picture I have in my

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mind is of pistols and small caliber automatic weapons.

Q Were silencers also discussed?

A They may have been, I don't recall.

Q And how about quantities? How much was he looking for?

A I don't think we discussed the specific quantities, to tell you the truth. I think these were things that he listed as to things that he would like. It was clear to him that he was one step removed from a substantive discussion. So that we were talking about what would happen if we were able to work out such an arrangement.

Q Did this official ask you for money?

A He did not.

Q Did this official also provide you with information about the political situation inside Iran?

A The official did and the official also expressed considerable opposition to the sale of American weapons to Iran.

Q What did he say about that?

A He said that he was quite angry about that because that had, in fact, strengthened his opponents. It had strengthened the very people that it was necessary to remove

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if one were going to transform the Iranian government into something more reasonable.

Q Did his statement affect your view about the wisdom of continuing to ship arms to Iran?

A Well, I was encouraged to hear it since I had expressed similar views and so it surprised me. In fact, many things about the exchange with this Iranian official surprised me but I was quite surprised and quite pleased to hear (a) that he was opposed to it and (b) that he thought it was counter-productive because I thought it would strengthen my own arguments..

Q Did this person provide you with any written information? A list of names of people who supported him?

A Yes. I don't see why it's important but I'll answer it.

Q Did you provide the written information he gave you to Mr. McFarlane?

A I think so.

Q After these discussions with this senior Iranian official, did you brief Mr. McFarlane?

A Yes.

Q And did you raise with him the request from this

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senior Iranian official?

A Yes, I did and I told him that the general understanding at the meeting was that we would attempt to respond to him within a month.

Q What was Mr. McFarlane's response?

A He said he would take it under consideration.

Q Did he ever tell you whether the proposal was acceptable or not?

A No.

Q Did you continue to try to get an answer from him?

A No.

Q And it's fair to say that you were unsuccessful in getting an answer from him?

A That's correct.

Q And it's also fair to say that to your knowledge, the U.S. Government never followed up on this proposal?

A The U.S. Government not only did not follow up on this proposal, but it did not follow up on other contacts with other Iranians which were arranged in the same period which produced for us the--

Q Could you describe those contacts that Mr. Ghorbanifar arranged?

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A Yes. These were contacts with other Iranians in a position to know a great deal about Iranian activity outside the country and it produced tremendous amounts of information on very sensitive areas for us. And the people who provided us with this information, who were in key positions for Iran, offered additional cooperation with us in the future in even more active forums and, just as in the case of the senior Iranian official, I and other people recommended that these contacts be followed up and expanded and nothing ever came of it.

Q Did you specifically go to people in the CIA with the information you had obtained?

A Yes.

Q When was that?

A I first went to the CIA in December of 1985, after I had been instructed by Admiral Poindexter to stop my activities on the Iran matter and at a time when McFarlane had told me that he was going to shut down the entire Iran initiative.

Q And was that your first contact with the CIA concerning the initiative?

A Yes.

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Q I want to get to that but let me go back first to the November Hawk shipment. You have described a meeting on October 8, 1985, and you have also described contacts with a senior Iranian official and other Iranian officials. Other than those contacts and that October 8 meeting, when did you next meet with Mr. Ghorbanifar, Mr. Schwimmer, Mr. Nimrodi, or Mr. Kimche? Did you see any of those people prior to the November Hawk shipment?

A I don't think so.

Q Did you have any discussions over the telephone with them?

A I'm sure I had discussions on the telephone with them but I can't give you any great detail.

Q Is it fair to say that during this time, you were still involved in the initiative?

A Yes, indeed.

Q And so it's likely that you would have had contacts with these people through the month of November, right?

A Oh, yes.

Q But you can recall no face-to-face meetings?

A No, I don't recall any and I can't find any record of it in my records.

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Q During your contacts in November of 1985, were you told that a shipment of Hawk missiles was being planned?

A Yes, I was aware of that.

Q And did you inform Mr. McFarlane that a shipment of Hawk missiles was being planned?

A Again, I don't recall whether I discussed it with Mr. McFarlane.

Q Isn't that something that you would have if your role was simply as a person who was passing information from one source to another?

A Absolutely.

Q So if you had acquired that information, isn't it reasonable to assume that you would have passed it on to Mr. McFarlane?

A Yes, sir. But we're still in the position of contacts with people like Kimche, where I'm sure I had contact. But I just don't remember it specifically. In the case of McFarlane, it is certainly reasonable that I would have had such contact, but I can't recall it and I can't place it.

Q Do you remember how many Hawk missiles they were proposing to send?

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A No.

Q At one point, I think you told me in an earlier discussion, that the number one hundred seemed to ring a bell with you.

A I remember asking North at one point, how many Hawk missiles could you get into a 707? And I remember him saying--

Q You remember North asking or you asking?

A No, I asked North. How many Hawk missiles can you get into a 707? And he said something like twelve and I said, what do you mean, twelve? He said, well, they come in big cases and big wooden boxes and packing and so forth. I said so that's interesting. And I remember saying to Schwimmer at one point, what are you going to do, have a caravan of 707s for these Hawks of yours? And he said no, we'll send a couple of planes. And I remember saying to him, but you can only get twelve Hawks in a 707 and he said, what are you talking about? We can get 40 or some such. So I remember sort of roughing it in my mind saying it was going to be something like three planes, three 707s. I was thinking along those lines. I think a hundred is about right.

Q Why did you ask Colonel North how many Hawks can

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you get in a 707?

A Just because Hawks were going to go to Iran and I was wondering planes it was going to be this time. It had been so exciting the last time with one plane. I wondered how many adventures we were going to have this time.

Q Were you led to believe that this shipment of Hawks would result in the release of the remaining hostages?

A Well, that was the theory.

Q And you were skeptical about that, I take it?

A Well, I was opposed to it.

Q By this point you were opposed to any further exchanges of weapons for hostages, correct?

A Yes.

Q And you had made Mr. McFarlane aware of your opposition?

A Yes.

Q Did you know anything prior to the shipment about the way in which the Hawks would be shipped other than that they were going to be shipped by 707? Did you know who was going to be shipping?

A I wasn't even sure of that. Well, the Israelis were going to ship them. I mean, remember, we were still in

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the same basic mode as the August-September TOW shipments, which is to say that Israel was selling these weapons to Iran. That the United States knew about, that the United States approved it, but it was nonetheless not an American operation and America was not operationally involved. So that it was for the Israelis to manage all of that stuff. Whatever the price was, they set it; however the stuff was to be transported, they were to do it; we were not engaged.

Q And as far as you knew, the CIA was not involved in any way in this proposed shipment?

A My instructions still were that I was not to inform the CIA of any of this.

Q And prior to the shipment, you recall no discussions about involving any private U.S. citizens in the shipment to Iran?

A No. I was not privy to the arrangements anymore than I was in the first case. Actually, Schwimmer told me a day or two before what was going to happen, but it wasn't any of my business.

Q Is it fair to say that in the November shipment, that Colonel North's role increased?

A Yes, although in retrospect, it is now clear that

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his role increased. At the time, I wasn't particularly aware of the role that he was playing.

Q You weren't aware of his involvement in the planning for the details of the shipment?

A That's correct.

Q Prior to the shipment, do you recall any discussion with any of the principles about the price that was going to be charged for the Hawk weapons?

A No. I don't believe I know to this day what price was charged for the Hawks.

Q All right. At some point during the shipment, do you recall learning that there were problems with the shipment?

A Yes.

Q What were the problems that you were aware of at the time?

A I received a call from Mr. Ghorbanifar. Well, let me go back. Let me see if I can remember the sequence correctly. I got a call from Schwimmer saying that things were frightfully screwed up and what had gone wrong. That North had made various promises and it wasn't working out right and the planes couldn't land and so forth. I remember

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reporting this to North who told me the same thing except that Schwimmer had said various things and nothing had worked out.

And then, I think a few days later, I then got a call from Ghorbanifar in which he said, on the very edge of hysteria, that the most horrible thing had happened. That these missiles had arrived and they were the wrong missiles. That it was a provocation and that it was an Israeli provocation because not only were they the wrong missiles, but they came with Israeli markings all over them. And you can imagine what effect this has had on our people and so on and so forth and that various high Iranian officials may go into cardiac arrest within hours and here is a message from the Prime Minister for the President of the United States and he read it to me and I copied it down and I carried it into Poindexter later that evening.

Q What was the message?

A The message was that we have been honest with you people, we have done everything that we have said we were going to do, you are now cheating us and provoking us, and you must set this thing right immediately.

Q Did you get any response when you submitted that

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message?

A Yes. I was fired on.

Q Do you connect the delivery of that message with the decision to remove you from the initiative?

A No, I don't.

Q All right. I believe it's correct that you did not know, by name, by Richard Secord was involved with this shipment in any way, is that right?

A That's right.

Q You had heard someone make reference to the name Copp, though, during this time?

A Yes.

Q Who made that reference and in what context did they make the reference?

A Well, North made that reference. Copp was the name that I'd heard around the office. He would tell Fawn to call Copp or Fawn would say Copp's on the phone or here's Copp or there's Copp. That was a known name.

Q And how did you connect it with the November Hawk shipment?

A Ollie told me at a certain point that when the thing had gotten messed up and he had been asked to come in

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and salvage it, that Copp had been the man on the spot and had gone there and done it all.

Q Do you recall any discussion around that time about using a cover story for this shipment?

A No.

Q That it should be considered oil drilling equipment rather than Hawk missiles?

A No.

Q Did you know at that time, that a CIA proprietary was involved in the shipment?

A No.

Q Did you know of any CIA involvement with this shipment, at that time?

A No.

Q I want to go back to the contact you had with the senior Iranian official in the Fall and ask you if you ever learned that Ghorbanifar had made payments to that official?

A Yes, I did learn that he had made payments.

Q How much did you understand that Ghorbanifar had paid that official?

A He said, if I remember right, that it was in the neighborhood of $300,000.

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Q When did he tell you about this payment?

A I don't remember but it was certainly by December.

Q Could it have been earlier?

A It could have been.

Q Did he say where this money had come from?

A My understanding was that he had advanced it.

Q He, Ghorbanifar?

A He, Ghorbanifar.

Q Did he, Ghorbanifar, say how he expected to recoup the costs of his payment?

A He said he hoped, in essence, to make it part of the expenses associated with it and he hoped that he could get it out of future sales.

Q And here you're talking about arms sales, correct? The arms sales from Israel to Iran?

A Yes.

Q Do you also recall a discussion with Mr. Schwimmer about the possibility that payments would have to be made to this senior Iranian official or other Iranian officials?

A Well, I would put it differently. Schwimmer, Nimrodi, and I had a conversation in which we considered the possibility that at some time in the future, it might be

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necessary to provide money for a cooperative project with people like this senior Iranian official and/or others and that, in the event that that became necessary, it might be wise for us to have a separate account in which any money used for that project would be placed or through which it would pass so as not to confuse the two accounts for the arms sales on the one hand, and then this on the other.

Q What were these payments to be used for by these Iranian officials?

A Well, it wasn't clear but it was in the manner of a contingency account in the event that we wished to do it, so whether we wanted to provide things like communications gear for them, or weapons or ammunition, or airplane tickets to travel to meet with us from time to time, or hotels overseas to stay in if we were going to talk to them, or whatever it might be.

Q Or to give them money to be used for expenses they had in Iran?

A It might be conceivable that that would happen, also. What was never discussed was anything like personal money to them or bribes to them.

Q What prompted you to suggest that an account should

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be opened?

A Simply looking ahead and thinking in terms of possible contingencies.

Q And your best estimate as to when you asked for this account to be opened would be late October?

A Yes.

Q And what prompted you to ask for the account to be opened at that time?

A Could we go off the record for one second?

[Brief discussion off the record.]

BY MR. BARBADORO:

Q At the time you suggested to Mr. Schwimmer that an account might be opened to handle money that might be used to pay expenses in connection with the proposed relationship with this senior Iranian official, was there any discussion about the possibility of funds generated by the arms sales to Iran being used as a source of money for these expenses?

A Yes.

Q Who raised that possibility with you?

A I don't remember. I think it was Schwimmer or Nimrodi.

Q What did he tell you?

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A He pointed out that if funds were going to become necessary for this project, that it might be possible to generate at least some of them through proceeds from weapons sales to the Iranians.

Q What was your reaction?

A I said that that's one of the things that would have to be discussed and I would raise that with McFarlane as well.

Q Did you raise that with McFarlane?

A I don't recall and I don't think that I did. I think that the way I probably presented it to him was to describe contacts and the kind of relationship that was proposed and asked him to make a decision on that and that if the decision on that were positive, I would then present to him the operational matter. It wouldn't make any sense for me to ask him about a tactical question when he hadn't resolved the strategic decision.

Q Shortly after this discussion with Schwimmer, you learned that he had indeed, opened an account, correct?

A Yes. He gave me the account number.

Q And you gave the account number to Colonel North?

A Yes, at some later date.

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Q Do you recall whether you mentioned to Colonel North the reason why this account had been opened?

A I don't think I did.

Q Why would you have given him the account number?

A Because he replaced me in the Iran initiative.

[Brief discussion off the record.]

BY MR. BARBADORO:

Q What is your best estimate as to when you gave Colonel North this account number?

A The second half of November.

Q Would it have been around the time that you were removed from the initiative?

A Yes.

Q Do you recall whether you ever told Colonel North about the possibility that had been discussed with you of using funds generated from the arms sales to pay expenses of officials inside Iran?

A I doubt that I did.

Q You don't think you talked to Colonel North about it?

A This question never became a real question. It was only a hypothetical issue so long as I was involved.

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Q And, in fact, the account that Mr. Schwimmer had opened and given you is an account that has never been used?

A Correct.

Q Did there come a time in late November of 1985 when Colonel North asked you to place a phone call to Mr. Schwimmer?

A Yes.

Q What did he tell you about why he wanted you to place that phone call?

A He said that he had, in the course of cleaning up the mess with the Hawk sales, he had incurred a million dollars in expenses and that Schwimmer had said that that would be paid for and that the money had not arrived and would I please call Schwimmer and tell him where's the money. So I called Schwimmer and said Ollie says you owe him a million dollars and Schwimmer said tell him to look in the account. It's there. And that's the last I ever heard of it.

Q Did you know what the million dollars in expenses were for?

A No.

Q Did you know where Ollie was expecting the money to be?

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A Yes, I think I knew it was in Switzerland.

Q So, it's fair to say that you knew that North had some kind of control over an account in Switzerland, is that right?

A Well, Copp did, remember. I knew that Copp had been sent there to do this so I knew that Copp, at least--there was a bank account where Copp could receive a million dollars.

Q Did you understand Copp to be a U.S. Government official?

A I had no idea who Copp was.

Q But you knew that he had worked with Colonel North on the November Hawk shipment?

A That's what I knew.

Q What did you know about what he had done?

A The question is when did I know it. After awhile, I knew pretty much what had happened. That the Israeli planes had turned around and that they had to organize a whole new airlift and that there was quite a bit of activity. In a general sort of way, I knew that Copp had gone in and figured out how to get these Hawk missiles from Israel to Iran. It's a short answer. And I didn't know very much in

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the way of detail.

Q And when Ollie told you that a million dollars in expenses had been incurred, who did you think had incurred these expenses?

A I thought that's what Copp had spent in doing all this.

Q Did that seem to you to be a reasonable figure?

A I'm the wrong person to ask.

Q Well, I'm just asking for your impression. It didn't strike you at the time as being--this is obviously more than any expenses that Copp could have incurred?

A No, I didn't say to myself that's outrageous.

Q You just took it at face value, is that fair to say?

A Yes and indeed, people with a lot more experience in these matters than I, namely Schwimmer and Nimrodi, obviously took it at face value also. I don't think they thought they were making any contribution.

Q Why did you think that North came to you and asked you to call Schwimmer rather than North or Copp calling Schwimmer themselves?

A I don't know. It didn't strike me as bizarre at the time.

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Q And when you called Schwimmer, he told you to have Ollie look in the account, the money was there, did he? Your answer is yes?

A Yes.

Q And you relayed that message to Colonel North?

A Yes.

Q Did Colonel North say anything else to you about the account or the issue of expenses?

A That's the last I heard of that question until Secord testified.

Q Okay.

MR. KERR: Secord testified in these proceedings?

THE WITNESS: Yes.

BY MR. BARBADORO:

Q Colonel North never raised the issue again with you even during November of 1986?

A That's right.

Q I want to skip now from the period of November into 1986 and we'll come back to the December-January period, and I want to ask you about your attempt to contact a number of senior U.S. Government officials about this initiative. First, let me establish this. Is it fair to say that you

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were removed from this initiative some time in late November or early December?

A Yes.

Q Can you describe the circumstances under which you were removed?

A It was on the occasion when I delivered the message from the Prime Minister of Iran to Admiral Poindexter. I went into his office and I read him the message and he copied it down and he said, we're going to take you off this thing for awhile because we need somebody with more technical expertise, by which I thought he meant he was taking me off this weapons and hostage business, which had created all this confusion, which was fine with me and I said that's great, but I want to continue to work on the and then I named the senior Iranian official project. I said because that's something that I've been trying to understand all along and I think I'm in a good position to do it and he gave me a blank stare which led me to believe that he hadn't known anything about that project. And so I left and that is really, I think, the last contact that I had with him on this subject, since from the time he became National Security Advisor, I was unable to get an appointment with him.

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Q Is it safe to say that as of that date, you had become a definite opponent of continued arms sales to Iran in order to effect the release of U.S. hostages?

A Since early October I had been. I don't think those events affected my feelings one way or another.

Q But as of that date, you were opposed to continuing with the arms initiatives?

A That's right.

Q And you had made Mr. McFarlane aware of your opposition to continuing with the initiative, correct?

A Yes.

Q After that point, did you make attempts to contact a number of senior government officials to make them aware of your opposition to continuing with the arms part of this initiative and your desire to continue with the contacts with the senior Iranian official?

A Yes.

Q Who did you first contact about that?

A I think the first person I contacted was Casey.

Q When was that?

A That was in December of 1985.

Q What did you tell Casey?

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A I told Casey the story. I briefed him on how I had met Ghorbanifar; how Ghorbanifar had arranged the various contacts, not simply the one with the senior Iranian official, but the range of contacts; and what these contacts could potentially do for us and urged Casey to tell the President that pursuing the hostage was backwards and it was permitting the tail to wag the dog, as it were, and that we should instead, pursue the political manner.

Q All right. Even before contacting Casey, had you prepared a memorandum for Colonel North that had laid out your position on this issue?

A Well, I know the memorandum you're referring to. I don't remember exactly when that went to Colonel North, whether it was December or January, so I can't place that.

Q Somewhere around that time?

A Yes.

Q Okay. What was Casey's reaction when you explained this to him?

A Well, Casey said he found it all very interesting and, indeed, I think it was that conversation with Casey, or at least in part that conversation with Casey, that led to the invitation to Ghorbanifar to be polygraphed.

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Q Did you meet with Casey again in the December-January period?

A I met with Casey several times in that period.

Q We'll go into this in greater detail in a minute, but can you just summarize what was Casey's position as he expressed it to you?

A He expressed it to me--he agreed that the political matter was considerably more important than the hostage question, the geo-political matter. However, he felt that there were internal Administration reasons or the politics of Washington, as he put it, that it was necessary to do the hostages first and get that out of the way and then pursue the other matter.

Q What other officials did you meet with to try to express this position?

A Gates, Armitage, Weinberger, Peter Rodman, North, Charlie Allen, Dewey Clarridge.

Q Am I accurate in characterizing it as you were on a campaign to try to get this arms for hostage effort stopped?

A I was trying to do two things. I mean I don't want to over-state the vigor with which I pursued this. It sounds better now than it was in reality, I must say. I mean, it

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was not a particularly intense campaign. It was sporadic. People never welcomed this kind of approach. They weren't cheered to see me coming in to talk to them about this matter. And I didn't enjoy it all that much but I felt it was my obligation to try to do this.

The obligation I felt was less a matter of trying to stop them from doing the hostages because I must tell you that if people want to try and save American hostages, there's a limit to my rage even though I think it's a mistake. It's not something that's going to get me frightfully exercised. What did get me frightfully exercised and which, frankly, continues to baffle me, is why this Government was unable to pursue these other contacts which struck me and still strikes me as so interesting that any person with even a minimum intellectual curiosity would feel driven to pursue them and expand them. Quite aside from what you intend to do but just from what they provide in terms of our knowledge of the world and our understanding of things and the ability we would have to deal in that part of the world and it just drove me crazy and I wanted to--I did not want to be in a position of thinking that I had failed to do whatever I could to try and encourage that. And that is basic to what I was

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trying to do and when I did that, I also made the point that the hostage thing was a mistake because it prevented us from understanding all these other matters and it was wrong on its own merits.

Q Let me ask you specifically about the meeting with Secretary Weinberger. When did that take place?

A That took place in the early Summer of 1986.

Q What did you tell him?

A I told him the story--the same stories I told everybody.

Q And did you explain the contacts you had had with this senior Iranian official?

A Yes.

Q What was his reaction when you told him the story?

A He said it was an amazing story because he had never heard it before. And he said why have I never heard this story before?

Q Did he express a view on the Iran arms initiative?

A He said he hated it. This was no secret and he said but this, however, sounded very interesting and he asked me if I would give the same briefing to the Secretary of State.

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Q Did you try to give that briefing?

A I did.

Q And it's fair to say you were turned down?

A Yes.

Q Did anyone ever explain why?

A No.

Q I think I'd like to do is defer to Chuck Kerr and let him ask some questions about the December-January time frame because our time is growing short.

[Brief discussion off the record.]

BY MR. BARBADORO:

Q Mr. Ledeen, as you know, we have agreed to continue this deposition Monday morning at which time we will ask you more questions about the period of time from November 1985 through January and February of 1986. So what I'd like to do at this time is let Mr. Eggleston or Mr. Leon ask any questions they have and then we'll adjourn the deposition until Monday.

MR. EGGLESTON: Actually, I have to leave now, in any event, so I will either show up on Monday, which is unlikely, or forego my opportunity to ask any further questions. As Mr. Ledeen knows, we had a long day some

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months ago where I covered most of this or was asked in any event, so thanks a lot and appreciate your time today and sorry to go away.

EXAMINATION BY COUNSEL FOR THE

HOUSE SELECT COMMITTEE

BY MR. LEON:

Q Let me ask you first a question just to avoid the risk that some pundit or newspaper reporter, sometimes one in the same thing, will misinterpret something you said earlier. You were talking about a meeting on October 8th where you said you talked about all kinds of weapons, Hawks, Phoenixes, Sidewinders, and I think you made some phrase like, just about every weapon under the sun. You didn't talk about nuclear weapons, did you?

A No.

Q I just want to be sure that there's no reports for the future that there were nuclear weapons being bandied around.

A Well, when I said discussed them, it was that the Iranians were asking for everything, I think, that they could find in a catalogue.

Q Okay. Now you obviously have testified that you

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wanted to see the ending of a linkage between hostages and arms?

A Yes.

Q That was something you thought was dangerous folly.

A Look, I thought two things. I thought first that to deal for the hostages was a mistake on its own merits. However, I thought that it was also an even graver mistake to put ourselves in a position where we were bartering weapons to Iran because once that started, it would be impossible for us to gauge the intentions of the people we were dealing with. From the beginning all along, I was concerned and believed that my government was fundamentally concerned, not with these seven people but with Iran and it's the importance of Iran in the world which is quite significant.

Q Wasn't Iran making this like a pre-condition in order to pursue any talks?

A Look, they can attempt to make anything they want a pre-condition to pursue talks, but we don't have to accept it, and the fact that they want our weapons, doesn't mean that we have to sell them to them. And I thought it was simply a mistake on both levels. It was a tactical mistake with regard to questions of hostages and counter-terrorism

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and it was a strategic mistake with regard to the relationship between us and these Iranians.

Q Did you have any sense whether Israel thought it was a mistake, too?

A The Israelis--

Q The government.

A Well, the first point to make on that is that there is a tendency here to see the Israeli government as monolithic on this question when in fact it was divided. There were people who liked it and people who didn't like it and there were people on all sides of every one of these questions. They were as badly divided as we were. It's important to remember that. In general, I think it's fair to say, that the Israelis, since they are in the Middle East, are less put off by the question of using weapon sales to accompany political demarches than we are. However, I would also say that the Israelis themselves were divided on my question, which was isn't this a mistake to deal for the hostages at all in this context. Some agreed and some disagreed.

Q Well, they certainly have a lot of experience in the hostage area.

A They do and sometimes they've done well and

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sometimes they haven't.

Q There seems to be a perception anyway, that they don't believe in making deals, at least overtly, for hostages. They seem to have a public policy against it.

A Well, yes, but then they dealt 1,500 plus terrorists for four non-commissioned officers, which is not the toughest position ever heard.

Q Exactly. Were you aware of what the Israeli government's position was once the news reports started coming out about McFarlane's trip?

A No.

Q Did you talk with Nir about that at that time frame?

A I never, at any time, discuss this matter with Nir.

Q Okay, well how about with anyone in the Israeli government. Once the reports started coming out about McFarlane's trip in November of 1986?

A I was at a conference at which David Kimche was present shortly before this thing blew up and we discussed briefly about what a shame it was that it had worked out the way it had. But no, I don't remember discussing how to handle it, or what reactions should be, or anything like that with any Israeli.

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Q Did Ollie ever tell you about his conversation with Nir on November 22nd?

A 1986?

Q 1986.

A No.

Q Do you know David Halevy?

A Yes.

Q Do you know his relationship with Ollie at all? Are you familiar with it?

A I don't know it from first-hand experience. David has said to me that he had a fairly close relationship with Ollie.

Q Do you know if it was a friend relationship or a professional relationship?

A I think it's a little of each.

Q Do you know if it related to the Israeli side of Ollie's work or the Contra side of Ollie's work?

A I think it related to a journalistic interest that David had in both Central America and in the question of special forces generally.

Q And he is with Time Magazine?

A Yes. I don't think he knew much of anything about

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the Iran matter.

Q The chronology you prepared for McFarlane, was it?

A I prepared it for Keel and I gave it to North.

Q You gave it to North? You don't have any copies of that anymore, do you?

A No and as I think I said the other day, I wouldn't want to be remembered for that because it's full of mistakes. I mean, I always thought that this meeting at the OEOB was in November rather than October and I had an extra trip to Israel in there.

Q Did you ever learn what, if anything, Admiral Poindexter did with the message that you gave him from the Prime Minister to President Reagan?

A No. I'm sure he gave it to McFarlane, though.

Q But you don't know for certain whether or not he did?

A No.

Q Do you know if Ollie was aware of the message?

A I don't know.

MR. LEON: I don't have anything else right now.

MR. BARBADORO: Okay. Let's then adjourn the deposition until Monday morning. Thank you, Mr. Ledeen.

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[Whereupon, at 11:19 a.m., the deposition was adjourned, to reconvene at 9:30 a.m., Monday, June 22, 1987.]

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I have read the foregoing pages, which contain a correct transcript of the answers made by me to the questions therein recorded.

_____

MICHAEL A. LEDEEN

- - -

Subscribed and worn to before me this _____day of _____, 1987.

_____

Notary public in and for:

My commission expires:

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CERTIFICATE OF NOTARY REPORTER

I, Terry Barham, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing transcript was duly sworn by me; that the testimony of said witness was taken by me and thereaftrer reduced to typewriting by me or under my supervision; that said deposition transcr.pt is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of the action.

Terry Barham, Notary Public in
and for the District of Columbia

My commission expires May 15, 1989.

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TRANSCRIPT OF PROCEEDINGS

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE

TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

AND

SELECT COMMITTEE TO INVESTIGATE COVERT

ARMS TRANSACTIONS WITH IRAN

U.S. HOUSE OF REPRESENTATIVES

- - -

Continued Deposition of MICHAEL A. LEDEEN

Washington, D.C.
June 22, 1987

Pages 128 thru 293

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SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE

TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

AND

SELECT COMMITTEE TO INVESTIGATE COVERT

ARMS TRANSACTIONS WITH IRAN

U.S. HOUSE OF REPRESENTATIVES

- - -

Monday, June 22, 1987,

Washington, D.C.

Continued deposition of MICHAEL A. LEDEEN, taken on behalf of the Select Committees above cited, pursuant to recess, commencing at 10:05 a.m. in Room 220 of the Hart Senate Office Building, before Terry Barham, a notary public in and for the District of Columbia, when were present:

For the Senate Select Committee:

CHARLES KERR, Esq.
Associate Counsel

JOEL LESKER, Esq.
Associate Counsel

For the House Select Committee:

PATRICK CAROME, Esq.
Staff

For Senator James A. McClure:

JACK GERARD
Legislative Director

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DENNIS TETI
Special Projects Director

For the deponent:

R. JAMES WOOLSEY, Esq.
Shea & Gardner
1800 Massachusetts Avenue, N.W.
Washington, D.C. 20036

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EXHIBITS

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P R O C E E D I N G S

Whereupon,

MICHAEL A. LEDEEN

resumed as a witness and, having been first duly sworn, was examined and testified as follows:

EXAMINATION BY COUNSEL FOR THE SENATE SELECT COMMITTEE

BY MR. KERR:

Q Mr. Ledeen, you remain under oath. This is a continuation of your deposition of last week.

With regard to some of the matters we talked about just as we were closing, it was my understanding from talking with you that you first met with Charles Allen of the CIA in August of 1985, is that correct?

A I can't remember that, and I can't imagine being able to figure out when it was. But it sounds plausible.

Q Can you describe for me the circumstances under which you first met Mr. Allen?

A Well, insofar as I remember, I think Lt. Col. North thought that the two of us should get to know each other. We had similar interests--he was NIO for Counter-Terrorism; I was after all a consultant to the NSC, and a great deal of our work done involved terrorism. So that Charlie was a person that I should know.

Q At the time that you met him, did you have any

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discussions at that point about the Iran initiative?

A No, I don't think so.

Q So your recollection of the first meeting was that it was essentially a meeting of folks with like interests getting to know one another, is that correct?

A Yes.

Q With regard to the next occasion that you met with Mr. Allen, when would that be?

A I couldn't possibly remember it. Mr. Allen and I, with the passage of time, got to know each other better, became friends, and we met, I would say, rather often. I would say that over the course of 1986 anyway we might well have met as often as two to three to four times a month and would probably have spoken on the telephone an additional two, three, four times, depending on what was going on.

Q Do you recall either by date or circumstance the first occasion that you had discussed the Iran initiative with Mr. Allen?

A It would be after Admiral Poindexter had taken me off the affair.

Q And you have placed that when?

A Oh, the end of November, beginning of December would be when I first raised this thing with Mr. Allen--and I think Mr. Clarridge at the same time.

Q Let me move a little bit further ahead in time.

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You met with Mr. Ghorbanifar and others on or about October 8, 1985, isn't that correct?

A Yes, that's right.

Q With regard to that meeting on October 8, 1985, what role did you play in causing Mr. Ghorbanifar to come to the United States?

A I'm not sure I played any role in causing him to come to the United States. I think that it was with a group that regularly met--Ghorbanifar, Schwimmer, Nimrodi, Kimche on and off, and I. We had by then met once in Israel and two or three times in Europe, and an application of the fairness doctrine seemed to call for a meeting in the United States at a certain point so that I wouldn't have to travel.

Q When and how was the meeting scheduled?

A I don't really remember. I think we said it was time for another meeting, and everybody said this time we'll do it in your place. And we would make calls among us to try and figure out when was a convenient date, and the date was hit upon, and that was that.

[redacted]

A Correct.

Q How did you become aware of that?

A I was told it by Mr. North.

Q Were you anything of the circumstances under which

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North [redacted] how he went about getting the [redacted]

A [redacted]

Q Did you at the time have knowledge of the role that Mr. Allen played [redacted]

A No.

Q Mr. Allen prepared a memorandum [redacted] with regard to the incident. And let me read some selected passages from the memorandum to you to see if they give you any further or better recollection of the circumstances under which Ghorbanifar came [redacted] He says that "On September 28, he [Charles Allen] was informed by Colonel North to increase [redacted] with regard to Ghorbanifar worldwide, and that there was an expectation as of September 28, 1985, that William Buckley would be released some time between 3 and 5 October." Let me stop there for a moment.

At the time you were aware that this October 8 meeting was going to happen, did you have any sense or expectation that William Buckley or any other hostage was about to be released at that time?

A I don't think so.

Q You will recall that there was a shipment of TOW missiles on the 14th of September from Israel to Iran. Using

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that as a way of focusing your recollection, did you have an expectation of the release of a hostage to occur after that mid-September shipment of TOW's?

A I did, that Reverend Weir came out.

Q Reverend Weir came out exactly at that time. Did you have an expectation of a hostage in addition to Mr. Weir coming out?

A "Expectation" is too strong a word; there were some representations from Iranians that there might be an additional hostage or two. I did not expect it.

Q Nothing had occurred between September 15 and October 6 that had caused you to believe that another hostage was coming out, particularly Mr. Buckley, in the early October time frame?

A No, I don't think so.

Q Were you aware of Mr. Ghorbanifar making efforts to determine the status of Mr. Buckley and to secure his release in early October 1985?

A Yes.

Q And how were you aware of that?

A He had said all along that that was what he was going to try to do. When Buckley was not released after the TOW shipments and it was instead Reverend Weir, he was challenged as to whether people had been lying to him all along and wasn't Buckley actually dead. He said he would

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undertake to try to find this out, and said he was rattling around, and some of the things that he came up with were that people were saying no, it was okay, and in fact Buckley would be released. I don't think anybody particularly believed that. I certainly didn't believe it.

Q Who raised the challenge to him that Buckley was already dead? Was that something you mentioned to him?

A I don't really recall who it was. It could well have been Schwimmer or Nimrodi.

Q In terms of Americans dealing with Ghorbanifar at that time, you were the only American that was in contact with him, is that correct?

A So far as I know, yes.

Q And do you have a recollection of carrying to him the Buckley question at that point in time?

A I have a recollection of discussing the Buckley question with him in the October 8th meeting. I don't particularly have a recollection of discussing it with him between mid-September and the October meeting. But I might have discussed it in a phone conversation, and I might well have discussed it in a phone conversation with an Israeli also.

Q Let me give you another representation from Mr. Allen's October 7, 1985, memo. He says "The announcement by the Islamic Jihad on 3 October that it planned to execute

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William Buckley created a new dimension in the continuing context between the American intermediary and Ghorbanifar. The White House, through intermediaries, indicated to [blanked out name] that it was important that he come to the U.S. in order to determine whether a potential still exists to secure the release of Buckley, assuming that he had not been killed, or the remaining hostages held by Hezbollah."

In terms of that blank, I have deposed Mr. Allen. He indicated that he thought it was an American intermediary, although he did not know at that time it was you. The representation he is making is what he is saying here. Does that give you any further recollection of the role you were playing in terms of trying to bring Ghorbanifar to the U.S.?

A Well, I don't think that what Mr. Allen is saying is at odds with what I said.

Q It isn't necessarily.

A Look, let me try to put this thing in context for you again, because I don't know how much you have heard of my previous depositions on the subject of Buckley, which continues, frankly, to be a baffling subject for me as well as for you gentlemen.

I have read no end of reports saying that the American government was obsessed with Buckley to the point where the Buckley matter was the driving force for this entire initiative. And I have said, every time this question

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has come up--and I shall continue to say it--that I was not aware of any particular sense of urgency on the part of the American government regarding Mr. Buckley. Nobody ever pushed me on the matter of Buckley--not North, not Casey, not McFarlane; it never came up. When I talked to people about what was said by Mr. Ghorbanifar and what was transmitted through him from the Iranian government--they raised the question of Buckley and I reported it. But there was no huge sense of urgency, at least that reached me. There may have been, but I was not aware of it.

So that while Buckley was a subject that would be discussed in the next meeting, it was not by any means the central issue of discussion. So Mr. Ghorbanifar was going to come, but there was, for example, no arrangements, so far as I can recall, that Mr. Ghorbanifar was going to talk to anybody else in Washington so that the specific question of Buckley could be raised with him, at least so far as I can recall--I don't recall any such thing. And I don't believe there was a discussion.

Q Do you recall being specifically asked after the Jihad made its threat that it was going to execute Buckley on October 3rd something to the effect: please get Ghorbanifar to Washington, D.C., so we can talk to him. Did anything like that occur after the Jihad threat?

A Not that I can recall. In any case--could I go off

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the record for just one second?

Q Sure.

[Brief discussion off the record]

BY MR. KERR:

Q In terms of what you were doing in early October with regard to the upcoming Ghorbanifar visit, you did not connect it with the threat of the Islamic Jihad to execute Buckley, correct?

A Well, in the sense that the IJO threat to execute Buckley was not a cause of the meeting. It's conceivable--I don't recall it, but if someone were to say might it have speeded up the date for such a meeting, that might have happened. But it certainly wasn't the cause. The reason for us to meet was the logic of the situation: the TOW's had gone, Weir had emerged. And we clearly had to sit down to discuss the next steps.

Q With regard to what was known at that time--you were aware that Ghorbanifar used the alias "Ashgari," isn't that correct?

A Yes.

Q Colonel North was aware of that as well, isn't that right?

A Right.

Q Was Colonel North witting, as the CIA likes to say, of the real identity of Ghorbanifar as of early October 1985?

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A Oh, yes.

Q So you had told North who Ghorbanifar was, is that correct?

A Correct.

Q Were you aware of that time that he had been the subject of a prior burn notice by the CIA?

A No.

Q When did that come to your attention?

A Oh, I think not until, oh, November or December of 1986.

Q As you know from the Tower Commission report, or may recall from the Tower Commission report, Secretary Shultz says he became aware of the CIA burn notice back in July of 1985. But that had not come to your attention at that early date, is that right?

A That's right.

Q You came to know of the burn notice in '86 under what circumstances?

A Either in testimony before the Senate Select Committee on Intelligence or in conversations with people at CIA, after the story had broken.

Q So prior to the story breaking, you had not been made familiar with any of the content of the Ghorbanifar 201 file, is that correct?

A I think I'm still not familiar with it. I knew

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that there were violent objections to Ghorbanifar within the DO, and I knew several of the people who held these violent objections and have discussed some of the objections with some of them. But, no, I have no need to see that information.

Q The formalization of those objections in the form of notices going to other intelligence services you had not become acquainted with.

A That's correct.

Q Now, at the time of the meeting, October 8--you have described that in other places at other times, but there were a couple of other points I wanted to touch on there. I have interviewed Roy Furmark. Do you know Mr. Furmark?

A Yes.

Q Mr. Furmark has indicated that he came to Washington, D.C., on the 8th of October and had dinner with Mr. Ghorbanifar. Were you aware of that?

A He had dinner with Mr. Ghorbanifar, my wife and me, so it was quite a group.

Q Good. Can you describe the relationship, as you understood it, between Furmark and Ghorbanifar at that time, about October 8th.

A I understood it to be a business relationship.

Q What did you understand the nature of their business to be?

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A They had done some oil deals together.

Q How well did you know Furmark at that time?

A That was the first I had met him.

Q Had Ghorbanifar ever described to you his relationship with Furmark prior to this occasion?

A He said he had a friend in New York named Furmark once before, and had asked me if I knew him..

Q Did you know of Mr. Furmark's relationship with John Sheheen?

A No. I knew about a relationship between Furmark and Kashoggi.

Q Were you aware that there had been a business venture between Kashoggi, Furmark, Ghorbanifar, and Sara Hashimi?

MR. WOOLSEY: This is on October 8th?

MR. KERR: Yes. I'm sorry.

THE WITNESS: No

BY MR. KERR:

Q And that was not discussed, to the best of your recollection, when you had dinner that evening, October 8th?

A That is right. In fact, I remember distinctly the first time I ever heard it discussed.

Q And when was that?

A It was discussed on a "Night Line" program I was on with Mohammed Hashimi, the brother of late Sara Hashimi.

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Q All right. Can you place that in time for me?

A Oh, gosh. It was probably mid-December of 1986, or maybe even January of 1987.

Q Again, after the story had broke?

A Yes.

Q Okay. So you were not aware of a relationship that Hashimi had to Ghorbanifar, Furmark and others in the Summer of 1985; is that right?

A That is right.

Q Were you aware of John Scheheen's contacts with Director Casey in the Summer of 1985, designed to, through Hashimi. set up a relationship, trading arms for hostages?

A No.

Q Did it ever come to your attention?

A No.

Q So specifically, it never came to your attention at that dinner on October 8th or any other time, that John Scheheen had contacted Director Casey in mid-June and that there had been a prolonged series of contacts and meetings between representatives of the Central Intelligence Agency and folks, acting on behalf of Hashimi, related to Ghorbanifar in the Summer of 1985?

A That is correct.

Q With what frequency did you see Mr. Furmark after October 8th, 1985?

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A I don't believe I have seen him since.

Q You had no contact with Mr. Furmark a year later, October 1986, when he began making contacts with Mr. Casey about the Iranian initiative?

A I spoke to him once on the telephone.

Q Can you place that in time?

A It would have been sometime in October --

Q October 1986?

A Yes. -- when I called him and encouraged him to relax, that my understanding was, people were trying to address his problems.

Q What did you understand his problem to be in October of 1986?

A $10 million.

Q I.e., he was looking for $10 million that he believed to be owed to Messrs. Kashoggi and Ghorbanifar; correct?

A And Furmark, if my memory serves.

Q I believe that is correct.

Were you aware at that time that he had received a commission, if you will, for these arms transactions?

A No. I am still not aware of it.

Q You weren't aware of a payment of something in excess of $80,000 to Mr. Furmark?

A No. If it is true, I wish you would tell Jimmy

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Breslin that.

Q Life being what it is, Mr. Breslin will probably find out.

With regard to Mr. Furmark, though, did you initiate the call or did he call you?

A No. I called him.

Q How did you know about Furmark in October of 1986, his interest in the $10 million in October of 1986?

A I had been told by Mr. Ghorbanifar, had raised the matter with Director Casey, and had discussed it at some length with Mr. North, Mr. Allen, -- I don't even remember all the people with whom I had discussed it at that time.

Q To the best of your recollection, would this call that you had to Furmark have occurred after Furmark's conversation with Casey in early October, of around the 7th of October?

A Yes, I should think so.

Q And, again, in a nutshell, give me your best description of the message you conveyed to Mr. Furmark at that time.

A I said to him simply, don't -- "Just to let you know that this matter is being discussed and people are trying to find some reasonable way to solve it. Don't go off and do anything crazy or precipitous. Relax for a while."

Q With regard to the tale of the angry Canadians, at

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that time, was that related to you by Mr. Furmark?

A No. It had been by Mr. Ghorbanifar.

Q By Mr. Ghorbanifar. Were the allegedly angry Canadians identified to you?

A No.

Q Okay. Did you know anything about them other than there were, supposedly, angry Canadians on the war path?

A Yes. They were said to be friends of Senator Leahy's.

Q These are representations that were being made to you by Mr. Ghorbanifar?

A Yes. Well, this last point about friends of Leahy's, I think came not from Mr. Ghorbanifar but from Colonel North. I think that was a detail in the end.

Q All right. Did Furmark tell you at that time that he intended to give to Mr. Allen the number of Mr. Ghorbanifar's Swiss bank account as an appropriate place to make a $10 million deposit?

A No. He simply said, "Look, I'm just a simple businessman, trying to balance my books," or words to that effect.

Q And the balance would be helped by a contribution of $10 million?

A I think that was the whole discussion. I think I just called and said, "Hello," looked into this, "Relax a

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while," and he -- "I'm just a businessman trying to balance my books," or words to that effect.

Q All right. Now apart from that conversation in October, did you have any subsequent conversations with Furmark?

A I do not think so.

Q Any correspondence, documents exchange between you and he?

A Never.

Q Any record --

A Oh, wait. There was, actually. We got an invitation from him to attend the OSS banquet as his guests.

Q In what year would that have been?

A In 1986.

Q 1986. But in terms of other social occasions, where you met with Mr. Furmark, there was only the one, back in October of 1985?

A So far as I can recall, that is the one and only time that we met.

Q And in terms of conversations and the like with him, after the October meeting, your recollection is that you had none? October 1986.

A I think that is right. It is conceivable that from time to time he may have called me and asked if I had talked to Ghorbanifar, but that would be the sum and substance of

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it. But that is just speculation because I don't recall any such.

Q And in terms of the conversations that you had in October, that was not memorialized in writing, you did not take any notes; no record was kept of it, I take it?

A That is correct.

Q At the time of the October 8th meeting, that was the same time that the Achille Lauro incident was going on; isn't that correct?

A No. I thought the Achille Lauro was a bit later.

Q It was about October 7th or 8th -- in any event, when the Achille Lauro occurred, you had occasion to work with Charlie Allen?

A Among others, yes.

MR. WOOLSEY: Excuse me. There is a gap in time, I believe, between the Achille Lauro hijacking and the time at which the incident occurred over Sicily and Siganella, which Mr. Ledeen was involved in. That might be the discrepancy in time.

THE WITNESS: It was about five days later.

BY MR. KERR:

Q You don't associate anything occurring with the Achille Lauro with the meeting that was held with Ghorbanifar on October 8th; is that right?

A That is right.

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Q There was no discussion that you can recall, at the meetings that were held on the 8th of October, about the Achille Lauro incident?

A I think that is right. I do not remember any such discussion.

Q All right. Coming to Mr. Allen, when the Achille Lauro incident occurred, did you have occasion to work with Allen on the Achille Lauro?

A Yes.

Q Was that the first occasion you had had to work with Mr. Allen?

A No. We had spoken off and on about many different things. I mean "work with," there were undoubtedly -- I can't place them at the moment, but there were undoubtedly some other things, because that was quite a busy season for terrorists, the summer and fall, so we had undoubtedly been in touch on other things.

Q During the course of the contacts you would have had with Allen on the Achille Lauro matter, did you have occasion to have any discussions with him about the Iran initiative, you role in it?

A No. Again, so far as I can remember, the first time I ever talked to him about the Iran initiative was after I was taken off it in late November. And I cannot place for you whether I told him about it initially at the end of

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November or the beginning of December, but it is in that period.

Q All right.

A And there was a reason for it. I had been instructed not to discuss it with anyone at CIA, explicitly.

Q You had gotten that instruction from Colonel North?

A McFarlane.

Q From McFarlane.

MR. KERR: Let's go off the record.

[Discussion held off the record.]

MR. KERR: Back on the record.

BY MR. KERR:

Q Moving later in the Month of October, you did have occasion to travel to Geneva in late October, did you not?

A Yes.

Q And you were in Geneva approximately October 26 through October 29, 1985?

A Yes, I guess that is right. That is the general period.

Q The travel records that we have seem to indicate that. That is where I got the dates.

The purpose of that meeting was to engage in additional discussions relating to the Iran initiative; correct?

A Yes.

Could we just go off the record for one second?

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MR. KERR: Off the record.

[Discussion held off the record.]

MR. KERR: Back on the record.

BY MR. KERR:

Q Moving to November 1985, with regard to the shipment of Hawk missiles that occurred approximately the 24th and 25th of November 1985; between the time of your meeting in late October and the time of the Hawk shipment in the third week or so of November, can you describe for me the degree of awareness and involvement that you had in preparation for the Hawk shipment?

A I think I was generally aware that there was going to be such a shipment. I cannot remember at what time I became aware, or how I became aware that a decision had been made to approve this shipment, and I had no role in planning for it or organizing it.

Q All right. In terms of what happened in the October 26 through 29 meetings, was there specific discussion of the Hawk shipment in those meetings?

A I don't think there was.

Q So you have no recall of details of the shipment being discussed at that meeting?

A That is correct.

Q In terms of your knowledge of the Hawk shipment, can you place in time, between October 26 and November 26,

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when you became aware that a Hawk shipment was going to take place?

A No, I cannot. And, indeed, I may have been aware that a Hawk shipment was going to take place before October 26th. I would not exclude that.

Q All right.

A If you compelled me to take a stab in a very bad memory of when and how I learned this, I would guess that I knew it before October 26th.

Q Can you picture in your mind the circumstances under which you acquired this awareness?

A No.

Q Whether it was a meeting, a conversation with somebody?

A No. And I have tried very hard. And I'm just not going to force myself to try to remember something about this because it's just not there. My guess is that if I forced myself, it would probably be misleading.

Q All right.

A My memory is bad enough for things like this without trying to strain it.

Q In terms of what you knew and when you knew it, with regard to the Hawk shipment itself, did you have knowledge that it had occurred contemporaneous with the event?

A Yes.

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Q Okay. In terms of your involvement, though, you cannot recall what role you had, if any, in trying to help this Hawk shipment come off before you knew that it had occurred; is that right?

A No, I had no role. I was not involved in it, any more than I was involved in the original TOW shipments.

Q So I am clear, though, did you become aware of the problems that they were encountering in making this Hawk shipment in the third week of November?

A I did.

Q How did you become aware of the problems?

A Well, let's see. I believe that Colonel North told me there were problems, because I believe he was in contact with Mr. Schwimmer. And I believe, also, that Mr. Schwimmer called me and told me that they were having problems, because he had been in contact with Colonel North. I would not be surprised if I had one or two calls from Mr. Ghorbanifar as well in this time. Anyway, I was well aware of it.

Q Okay. You get the calls; are they asking you to do anything, or are they just ventilating?

A Ventilating, for the most part.

Q So you recall being told by various people that there were problems, but not being given a task to perform to try to solve the problems; is that correct?

A I had no competence to perform any of the obvious

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tasks.

Q Competent or not, you weren't given a task?

A No, no. They were smarter than that.

Q All right. Did you have occasion to speak with anyone at the Central Intelligence Agency during that period of time relating to difficulties that were being had in moving the Hawks?

A No.

Q And you were not present at Langley during that period of time; is that correct? Didn't actually go out to the CIA headquarters?

A I was very often at Langley, but I certainly wouldn't have gone out about this matter.

Q All right. Let me give you that question then. You do not recall being present at Langley, dealing with or being part of the group that was dealing with the problem of moving the Hawks?

A That is correct. I was not.

Q Did you know, at that time, Mr. Allen's role in that matter?

A No. And still don't.

Q Okay. And in terms of individuals at the Central Intelligence Agency who would have been involved in trying to resolve the problems that were being encountered, did you know their identities at that time?

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A No. Not then and not now.

Q With regard to General Secord's role in this transaction in the third week of November 1985, you were aware, I take it, of someone named Copp who was doing something; is that right?

A Yes. I was aware that Copp was trying to clean up the mess, and then some months later I figured out who "Copp" was, but not at the time.

Q So you did not have contemporaneous knowledge of who Copp was; correct?

A That is correct.

Q You didn't have contemporaneous knowledge of what Copp was doing; is that right?

A That is also right.

Q Okay. There is one other event that occurs between the October 26 through 29 Geneva meeting and the November 24/25 Hawk shipment, and that is an attempt to photograph certain people in Dubai, one identified as [redacted] the other as a [redacted] Did you have any involvement in setting that up?

A Yes.

Q Can you tell me what your involvement was?

A Let me see if I have got the sequence right.

Q Let me help you with time. It is my understanding that that photographic expedition took place the last couple

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of days of October and the product was delivered on or about November 5th.

A I think the sequence was this, that Ghorbanifar was trying to help us to identify and understand the various leading Iranian figures, and he offered to invite them to various places where we would be able to photograph them and generally watch them and learn about them and get some notion as to who they were, what they were, and one was to invite this fellow to -- he asked if Dubai was a good place for us, and said he could invite this particular person to Dubai.

I then asked North whether this made sense to him, and he said, "Yes, indeed." I said was Dubai a good place, and he said he thought that it was. So I told Ghorbanifar to go ahead, and Ghorbanifar went ahead, and he then called us a day later and gave us the hotel and the room number in which this gentleman was staying, and arranged to bring him into certain areas where it would be easy to see him.

This should probably also be in code words, wouldn't you think, this subject.

Q Again, it is a matter of public record, I believe. If you like, we can put a special seal on this portion.

A Where is it?

Q It's been in the newspapers, among other things.

All right. With regard to this Dubai trip, did you see the product?

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A No.

Q Were you present when the product was presented to Colonel North?

A He referred -- he told me that they had obtained it.

Q Do you have knowledge of a report that Colonel North received at the time that he got the photographic product from Dubai on what the CIA knew about [redacted] and [redacted]

A I think I knew that he had gotten such a report.

Q Do you know the source of that? Would that have been something North would have told you?

A He would have told me. It is the only place I would have heard about it.

Q And the identification of Ashgari with Ghorbanifar was something that was known, certainly to North at that time?

A Yes.

Q Do you recall the report he got from the CIA on what it thought it knew about Ghorbanifar at that time?

A I do not recall. I mean I do generally recall that the CIA didn't like him, and that the CIA said that when they first became aware that Ghorbanifar was involved in this. But remember that this came as no surprise to me, since Ghorbanifar had told me about that as early as the previous July. It was a reciprocal attitude, and he had already

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explained to me that he did not like them, that they did not like him, and that he had lied to them on several occasions.

Q Let me focus in on something that isn't clear to me. In terms of what you knew Colonel North knew --

A Yes.

Q -- did Colonel North know, prior to November 5th, that the CIA regarded Ghorbanifar as an unreliable person?

A I don't know the answer. What he knew was -- I had, by then, told him about the backgrounds, that Ghorbanifar had flunked polygraphs with them in the past, since he had volunteered that to me, and I would have told North that by then. I would have also told him of Ghorbanifar's great contempt for the CIA.

Q So you would have apprised North of what Ghorbanifar had related to you about his relationship with the CIA?

A Yes.

Q And it is your recollection that Ghorbanifar had been relatively candid with you, that the CIA didn't like him very much?

A No question.

Q And you had passed that on to Colonel North?

A I had.

Q In terms of North's confirmation of that, through the Central Intelligence Agency, you are telling me you don't know the extent to which he confirmed it?

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A Well, I can't remember the date, but there was no doubt about that at any time, I mean not that he -- there was certainly a time when he would have said something like, "You told me they didn't like him but you didn't tell me how much they didn't like him," or something like that, or "It's worse than you thought," or "Worse than anything."

Q Now, you have indicated in prior testimony that your first and last contact with Admiral Poindexter occurred after the November flight, when the Hawks were delivered, when you gave a message to Poindexter, which had been given to you by Ghorbanifar; is that basically correct?

A It was certainly my last conversation with Admiral Poindexter. I may have passed a message or something through him to McFarlane at some time previous, but that, so far as I can remember, was my last contact with him.

Q In terms of trying to place in time when you had this contact with Poindexter, it would have occurred after the 25th of November, I take it?

A Yes. Right around then.

Q Okay.

A That is, if you can figure out the day on which the Hawks were landed in Tehran, that is likely to be the date.

Q All right. But you think it was the day the Hawks landed, which would be approximately the 24th?

A Yes. I would guess it is the 24th or the 25th.

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Q All right. And you went to Poindexter because McFarlane was out of pocket; is that right?

A He was at the summit.

Q And your interpretation of what Poindexter was telling you is that he was taking you out of the Iranian initiative?

A That is not my interpretation; it is what he said.

Q Help me on that. There is a distinction between some aspects of it that apparently continued, as you understood it, and some that didn't, and I am having -- no, wrong. Okay.

A No. He said, "We're going to take you off this matter, at least for a while, because we need to have people with more technical know-how or expertise," or words to that effect.

Q When he used the term "this matter," what did you understand that to encompass?

A The hostage and Iranian matter, the whole --

Q Is it the whole ball of wax, or just the exchange of arms for hostages?

A I then said to him, "That's fine, but I want to continue to work on the --" and named the senior Iranian official matter, and he didn't recognize that.

Q All right. So you got no response from him on that score?

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A Correct.

Q What was your interpretation of that?

A That I had been taken off the whole matter.

Q Including the matter relating to the senior Iranian official?

A Well, he didn't know that there was a matter relating to the senior Iranian official, so I was going to wait and raise that with McFarlane, but McFarlane was leaving. So I intended to go to McFarlane and say, "Great, you have gotten me out of the hostage business, just as I had hoped, but what about this other matter?" But that conversation never took place.

Q Tell me, looking over the days after November 24, November 25, what did you do, in terms of trying to determine whether or not you should stay involved in the matter relating to the senior Iranian official?

A I asked North what my status was.

T1S2

Q Place in time for me, if you can, when that conversation occurred.

A Probably the next day -- but Thanksgiving is in there someplace, isn't it?

Q Right. So we're still talking late November, as far as you can remember?

A Yes.

Q Before the beginning of December?

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A Yes, I think so.

Q And you would have asked North at his office?

A Yes.

Q Anybody else present?

A No. There was never ever anybody else present.

Q Okay. And what is your recollection of the conversation with North?

A My recollection is that he said that I was out of this thing and that, in fact, he had been instructed not to discuss any matter with me, that I was to cease reading the special compartmentalized intelligence, and was not to be told anything at all about this matter.

Q And you interpreted that to mean the matter relating to the senior Iranian official, as well as arms for hostages?

A It sounded to me like it regarded the entire matter, and I said, "Okay. However, what about the question of Ghorbanifar and all the various things that he knows about terrorism, and the contacts that we were developing with regard to that matter." And I said to him that I would like to raise that with people at the Agency, and he said he thought that was a good idea, proper and legitimate, and why didn't I do that.

So I did that. I have no reason to doubt that what you read to me the last time, that Charlie said that I had

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informed him late in November that I was going to tell him about this stuff, and then when I got back a few days later, I sat down and described it to him.

Q Okay. Did he identify to you who at the Agency you should talk to, or did you identify to him who at the Agency you intended to talk to?

A I don't remember, but we would have come up with the same two names.

Q And the people at that time were Mr. Allen and the Chief of the European Division?

A It was Mr. Clarridge at the time, the Chief of the European Division, yes. Those are the people.

Q He was transformed into the Chief of [redacted] a few months later.

A Yes, I guess that is right. I think it was clear already at that point, though, that he was going to be that.

Q Yes, I believe his report was being generated at that time.

There is a McFarlane PROF note at November 26th that is quoted in the Tower Report in which McFarlane, on November 26, 1985, tells North that he is inclined to, quote, "Take Mike out of it," closed quotes, that we'll await Poindexter's reaction. He instructs North to have no further communication with you until he hears from McFarlane, and there is also a reference to an interest in travel on your part.

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Do you recall having any contact with McFarlane, by phone or otherwise, in this late period, November 1985?

A No. But the reference to travel is undoubtedly that I had been reminding him that I had promised a senior Iranian official that we would get together, and we had not, and we had not fixed a date for it, and I was eager to do that.

Q All right. With regard to the requested travel, what came of that?

A Nothing.

Q You did not go to Geneva?

A I did not go anywhere. I never met the man again.

Q All right. Do you recall that you did go to Europe in the period November 30 through December 1, 1985?

A Yes.

Q The purpose of that trip was what?

A Private business.

Q Private business. Did you have occasions to meet with any of the folks that you had previously met with on the Iran initiative while you were in Europe?

A On that trip?

Q Yes.

A No.

Q In terms of your itinerary on that trip, where did you go?

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A Again, this is private business we're talking about.

Q I understand.

A So subject to all these things that we have said before, I flew to Paris, met a client there, we got into his airplane and flew to Turin, had a business lunch in Turin. Flew to Rome, had a business dinner in Rome. Got up the next morning and flew to Paris and flew from Paris to Washington.

Q Okay. There was a meeting that was held in Geneva amongst Kimche, Secord, Ghorbanifar, and another Iranian official on the weekend of November 30 and December 1; and subsequently, after December 1, a trip was made to Paris with Secord and Nimrodi. You had no knowledge of those meetings?

A I had no knowledge of the meetings, and I have never met General Secord.

Q Okay. And you did not participate, by phone or otherwise, in the meetings that occurred in Geneva and Paris during the period of time November 30 through December 2nd and 3rd?

A That is correct.

Q Has anyone ever related to you what transpired at those meetings?

A No.

Q Specifically, Ghorbanifar did not tell you what occurred at those meetings?

A That is correct.

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Q Let me show you a document. It has previously been marked as Allen Exhibit 12. Mr. Allen has testified that he believes he received this document from you in November, on the occasion when that first meeting took place.

A November 1985?

Q Yes, sir. It has been coded as C219 and C220 in our records. I would like you to look at the document and tell me if you have ever seen it before.

A (Witness peruses document.)

Yes.

Q Okay. Can you tell me what you know about that document?

A Yes. I am the author.

Q When would you have prepared the document?

A In the period October, November, December of 1985.

Q Okay. Why would you have prepared the document?

A Why would I have prepared the document?

Q Yes. Why did you do it?

A I prepared it because I thought the CIA ought to have this information.

Q So you prepared it for the purpose of giving it to the Central Intelligence Agency?

A Yes.

Q Do you recall whether this document was given by you to Allen on the first meeting that you had with Allen and

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the Chief of the European Division?

A I do not remember. I tend to think that I had sent it over to them earlier. But I might have called their attention to it at that meeting.

Q Okay. To the best of your recollection, was this the sum and substance of what you sent them, or is this a piece of a larger package?

A This is it.

Q That is it. Okay.

Now, apparently, you met with Mr. Allen and the Chief of the European Division on December 4th, 1985. In terms of that meeting, can you give me your best recollection of what transpired at the December 4th, 1985, meeting?

A Well, I told them the basic story of what had happened, since I believed -- I felt that I could discuss it with them at this point because I thought the thing was over. So what I was discussing with them was my experiences with Ghorbanifar, why I thought he was a useful person for the Agency to deal with, because of his contacts and his knowledge and sources. And I encouraged them to follow up on some of the contacts that I had made or was about to make through Ghorbanifar, or because of Ghorbanifar, particular in the area of counterterrorism.

Q All right. Let me read you some excerpts from Mr. Allen's memorandum on that meeting. He says that the meeting

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began at about 3:00 o'clock on December 4th and that you had just explained that you had just returned from Paris where you had conducted some unspecified business.

That reference would be to the trip to Paris and Italy that you have just described; correct?

A I had just returned from Paris.

Q And you were not relating to Mr. Allen and the Chief of the European Division anything which you had learned in Paris about the Iran initiative; is that right?

A I hadn't learned anything in Paris. I was trying to make enough money to support my family.

Q All right. The problem I've got is what Allen says about that meeting. Let me read to you what he says and see if you have any further recollection. He says, "While there in Paris, he --" meaning you "-- acquired certain documents and other information that he believed would be useful in a collection that --" Allen "-- is conducting on behalf of Lieutenant Colonel Oliver North, NSC Staff, relating to the U.S. hostages."

Then he says, "Subject also proposed a new initiative against President Khaddafi and Libya, utilizing certain resources, et cetera."

It leaves the impression that you were telling Allen that you had acquired certain things relating to the initiative in Europe. Is that incorrect?

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A So far as I can recall, it is incorrect. Read me those sentences again, would you?

Q "He," meaning Ledeen, "explained that he had just returned from Paris where he had conducted some unspecified business. While there, he acquired certain documents and other information that he believed would be useful in a collection effort that the NIO/CT," Mr. Allen, "is conducting on behalf of Lieutenant Colonel Oliver North, NSC Staff, relating to the U.S. hostages."

(Pause.)

A Look, on one of these occasions of my -- I went to Paris quite often in the period November/March. I was probably there once a month and sometimes twice a month. There was one occasion in which I had to change an Air France ticket and I went into the Air France offices on the Champs Elysee and walked up to the counter, and Ghorbanifar was standing next to me.

So even though I had been ordered not to talk to him and so forth, there I was, and we went out to dinner. And while we were out to dinner, he gave me some documents, some stuff dealing with terrorism. It may have been that occasion.

Q All right.

A I tend to remember that it was later than that. I would have placed it into 1986, this contact. But it could have been on this occasion, and it could be that that was the

time I brought some of these things back. And they consisted of this kind of information, some telephone numbers, some photographs of people and things of that nature. It is possible.

Q This doesn't give you any further refreshed recollection of actually participating in meetings that occurred in either Geneva or Paris at this time?

A No. I certainly did not participate in any of the meetings that you have discussed. I absolutely did not.

Q All right.

A And it, furthermore, sounds to me, from your description of the dates of those meetings, that it would be very hard for Mr. Ghorbanifar to have been in Paris at the same time, although I guess it is possible.

Q Europe is a small continent -- what can I tell you.

A It is a small continent, yes.

Q Okay. He goes on to say that you informed him of private efforts that you had undertaken, with White House encouragement, to establish contacts within the Iranian Government, contacts that were helpful in securing the release.

So I take it, you gave him kind of a history of what you had been doing?

A That's right.

Q Was he knowledgeable of your involvement, as you

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perceived it, at the time of this meeting? Were you telling him something new, or did he already know about it?

A I don't really -- I don't remember.

Q All right. You also identify for him Ghorbanifar as Ashgari at this meeting, according to Mr. Allen. As to that, was that news to Allen, or did he know who Ghorbanifar was?

A No, that seemed to be news.

Q That did seem to be news to him?

A Yes.

Q You also identified to Mr. Allen a person that you identified to him as the Iranian Government's principal contact with Ghorbanifar. Do you recall discussing who that person was with Allen?

A Yes.

Q Okay.

A [redacted]

Q [redacted]

A [redacted]

Q The very same guy.

Then he makes some representations on expectations on hostages that I want to review with you.

A Yes.

Q He says, "Ledeen explained that the four hostages

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were expected to be released just before Thanksgiving because of the Hawk missiles that had been delivered with intermediaries who include, among others, David Kimche. After delivery of 20 of these missiles, Sutherland, Anderson, Jenko and Jacobson were to be released [redacted] Once these four were released, another 100 Hawks would be delivered to Iran. This did not occur because there were disagreements over the particular model of the Hawk missile that was delivered."

He is saying that that is what you were telling him. Do you recall making those kinds of statements to Allen?

A I don't even recall these arrangements, but I don't challenge them. Anyway, I don't remember it but --

Q It doesn't give you a refreshed recollection is what you are telling me?

A No.

Q All right. He says, "On November 28th, [redacted] was frantically trying to contact Speaker Rafsanjani, urging him to reciprocate by freeing the hostages now that the Americans had shown good faith. According to Ghorbanifar, the disagreement appears to have resulted from the misunderstanding on both sides concerning what specific type of equipment was requested."

Do you recall giving that level of detail to Allen?

A Yes.

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Q You did. Okay. Then he says, according to you, relating what Ghorbanifar has to say, "The opportunity to deal with Iran is now excellent because Tehran is desperate for specific types of equipment, such as TOW, antitank missiles. He also notes that neither Iran nor its surrogate has kidnapped any Americans in some months."

Did you discuss those kinds of things with him?

A Certainly.

Q The level of desperation that you perceived was discussed?

A I believed it.

Q Okay. The discussion of the Libyan scam operation, do you recall reviewing that with Allen at that time?

A Yes.

Q Do you recall being an advocate of that, as a good idea?

A Yes.

Q Do you recall telling him that Colonel North had been apprised of the program?

A Yes.

Q Do you recall telling him that Colonel North endorsed the program?

A Yes.

Q Was that true?

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Q You had discussed it with North?

A Yes.

Q When?

A Previously.

Q In a one-to-one meeting that you and North would have had?

A Yes. North -- look, the Libyan scam gasped along for a year with North, at least in conversations with me, saying that he was always in favor of it, and with North, I think, finally even voting formally for it as late as October 1986, so there is no doubt about that. And the thing was raised formally at some interagency meeting in the Fall of 1986.

Q Okay. All right. But from your perspective, North is on board?

A Oh, yes.

Q It was a good idea, and you were basically relaying all that to Allen?

A Yes.

Q Okay. Down in Paragraph 8 of this memo, he says that you noted that you would be traveling again shortly to Europe and would be discussing the proposed Libyan operation further with Mr. Ghorbanifar. "He was hopeful that in the meantime some reaction could be obtained from CIA," and then he goes on to say that you noted that you had discussed this

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issue with Oliver North of the NSC who favors the undertaking of this operation.

Do you recall those representations?

A We are still talking about Libya?

Q Yes.

A Yes.

Q Okay. So you told him that you were going to be meeting with Ghorbanifar in the future, in Europe, about the Libyan operation.

A Yes.

Q In terms of your understanding of the direction that you had received from Poindexter and, within a day or so, North, that you were out of the operation, how did that correspond to your representation to Allen that you were going to go to Europe to talk to Ghorbanifar about the Libyan sting?

A It was not -- what I had been removed from was Iran. I had not been removed from work on terrorism.

Q All right. So you perceived that to be -- the Libyan operation to be a different compartment, so to speak?

A Oh, absolutely.

Q Okay. In terms of the upshot or the result of this meeting with Allen on the 4th of December, what was your perception of what you had accomplished?

A I had informed two of the best people at the CIA of

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the potential that I thought existed, and had brought them up to speed so that they were, hopefully, now knowledgeable enough to evaluate things better.

Q All right. With regard to other things that occurred at that meeting, Mr. Allen has indicated that you told him in some detail about the political lay of the land in Iran, and that he asked you to provide him with your thoughts in writing. Do you recall any such request?

(Pause.)

A I don't recall.

Q You don't. Let me show you a document that Mr. Allen has told us he received from you shortly after the meeting of December 4th. It has previously been marked as Allen Exhibit 13, and it is Document Number C230 through 241.

A (Witness peruses document.)

Yes. This document we know.

Q Okay. How do you know it?

A Well, let me just go through all of these.

Q Yes. Take your time.

A (Witness peruses documents.)

This is, in fact, one of the documents that we have provided to you in a redacted form.

Q And you provided it to us because you found it lodged in some kind of electronic storage system?

A Yes.

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Q You did not actually still have a hard copy version of that; is that right?

A Right. You have here, actually, several documents that run together.

Q Good -- maybe you can help me figure out how the pieces fit together. That would be great. Charlie's filing system sometimes leaves a bit to be desired.

A Yes. Well, I suffer from the same disease. I'm a terrible filer.

Okay. The document that deals with -- well, if you compare them to what we have given you, then you will be able to segregate them pretty well. So from C231 through C235, that is a document.

Q Okay.

MR. WOOLSEY: THen let's get that one clear first.

MR. KERR: Yes, let's stop there.

BY MR. KERR:

Q With regard to that document, when was it prepared?

A These are the -- this is the writeup, based on the conversations with Ghorbanifar in Israel in July of 1985.

Q All right.

A Written up, I guess, by -- this is the agreed-on version between Kimche and me, some of which he did, some of which I did.

Q So it would have been generated in approximately

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August of 1985?

A Yes.

Q And it would have been conveyed to Mr. Allen -- is he correct -- December 4th, or before then?

A Well, probably after that.

Q After that. Okay. But you think it would have been sometime in the Month of December when this would have gotten into his hands from you?

A Or January.

Q Okay.

MR. WOOLSEY: Now, with respect to what has been provided to the Committee, at least the House Committee, this was provided in redacted form, with portions that were redacted, and the names shown to the Committee Staff, and Mr. Ledeen expressed his willingness to deliver the rest of the names at the time of the Committee's desire.

MR. KERR: Okay.

THE WITNESS: Now, C236 through the first four lines of C239 is a document regarding the senior Iranian official.

MR. KERR: Correct.

THE WITNESS: Which we have provided, again, in redacted form.

MR. WOOLSEY: Just a moment.

THE WITNESS: It has never been subpoenaed, caught by a subpoena, in our opinion. We have referred to it and we have

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offered to make it available.

MR. WOOLSEY: And we have shown it to the Committee Staff and offered to make it available at the time of their choosing.

BY MR. KERR:

Q Not to worry. But this is a document that you created?

A (Witness peruses document.)

No. That's giving me much too much credit. It is a document that originated with me, probably, this text, yes.

Q And that would --

A The senior Iranian official created the document.

Q I understand. I'm sorry.

That would have been created at approximately what point in time?

A Well, I had either reported on it or given a copy of it to McFarlane within a few days of my meeting with this senior Iranian official.

Q Tell me about that. Are we talking about the October period of time?

A No. There we are again.

Q All right. You've got him covered enough, I think. But in terms of when this thing came into your hands, it would be late October, early November?

A (Witness peruses document.)

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Yes. Let's say sometime in the fall.

Q All right. I really do have to -- if you want to write it on a piece of paper, fine, but I want to know when the thing was created. Are you telling me that you don't know; is that what you are saying?

A You mean when did I print this out from my printer?

Q Yes.

A This copy here? I imagine I printed it out the day before I gave it to Charlie.

Q All right. Charlie thinks it got into his hands about December 4th. Do you have any reason to think that isn't true?

A No. I don't remember it one way or the other.

Q Okay.

A Then from after Line 4 of C239, these are simply my notes of various conversations.

Q All right. And in terms of when they would have been created, can you place them in time for me?

A Well, I mean it is the same piece of paper, it's a follow-on.

Q So it certainly would have been created no later than early December 1985?

A Correct.

Q All right.

A Now let me just go through these.

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(Witness peruses document.)

Q So looking at that document, it looks to you like the document, in its entirety, was produced sometime before December 4th; correct?

A Yes.

Q And with regard to providing this information to Allen, it would be your recollection that you gave it to him as a package, or did you give it to him in pieces; do you know?

A I do not know. I could very well have given it to him as a package.

Q All right. Were you aware, at the time you had your meeting with Mr. Allen and the Chief of the European Division, that North was blaming, if you will, for the problems with the November shipment?

A No.

Q Okay. In a PROF note of December 4th, 1985, from North to Poindexter, North attributed the Hawk problems to you and to Mr. Schwimmer.

A Right.

Q You didn't have contemporaneous familiarity with that?

A That is right.

Q Did that ever come to your attention?

A No.

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Q Not until the Tower Commission?

A Not until the Tower Commission.

Q All right. In that same note, he says that Ghorbanifar had told him that these discussion on arms for hostages had been begun by you and Schwimmer.

I take it, you wouldn't characterize it quite that way; is that right?

A Could you read that again?

Q Sure. Ghorbanifar is quoted by North as having said that the discussions --

A This in on those PROF notes?

Q Yes, of December 4th.

In terms of the notion of hostages for arms, the concept, that was initiated -- in terms of the American that know about it -- that was initiated in your presence? You would be the first American to have known of that concept?

A Well, the way I would describe it is that the explicit thing of arms for hostages became a clear-cut theme following the release of Reverend Weir, and then at subsequent meetings the message from the Government of Iran was, "You give us so many missiles, we give you so many hostages." It was by the time of the November shipment that there was an explicit arms for hostage discussion.

I would not have characterized our previous conversations as being an arms for hostages affair. Although arms were

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involved and hostages were involved, it was much broader and much more wide ranging.

Q But by the time of the November Hawk shipment --

A By the time of the November Hawk shipment, it was my opinion that the thing -- that the Iranian Government, at least, was presenting it in that light, although the conversations with Ghorbanifar covered other areas. It wasn't just restricted to arms and hostages.

Q And when you say, "in that light," it was your perception that the Iranian Government saw itself dealing in arms for hostages, as of November?

A Yes.

Q Okay. And your point is that Ghorbanifar had a wider horizon, as well?

A Yes. I keep reminding you that at the October meeting, when all of this became quite explicit, and I said to Ghorbanifar, "What do you think we should do?" he suggested giving up the hostage matter.

Q Okay. Now, that October meeting was the October 8th meeting?

A October 8th in the OEO Building.

Q And you, as I recall, are not clear whether North actually was there at that time?

A I think he was not there. I am morally certain that he was not present in those conversations, and I think

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he did not make an appearance all day, even at lunch time, although I do believe that he and Schwimmer spoke, the two of them, at some point, either the day before, the day after, or something like that. But I did introduce them there, and they did meet and speak.

Q Refresh my recollection. Was there any other U.S. Government representative there besides yourself?

A No.

Q Okay. So we are talking about the meeting that took place in the Executive Office Building.

A Yes.

Q But you were, essentially, the only U.S. Government representative present throughout is, I guess, correct; is that right?

A As far as I know.

Q Do you know of that conversation or those meetings being monitored electronically, were they recorded or not?

A No, I think they were not.

Q They were not. You didn't have with you, for example, [redacted]

A No.

Q Turning now to December 7 through 10. As you aware, certainly from the Tower Commission Report, there were two Presidential meetings that occurred during that period of

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time, one before McFarlane went to London and one that happened after he came back.

What knowledge did you have of those meetings and that trip at that time?

A None.

Q When did you become aware of either the meetings or the trip?

A Sometime around the time of the Tower Commission.

Q All right. Let me just try to refresh your recollection. The Chief of the [redacted] for the Central Intelligence Agency, reporting on his conversations with you on December 22nd, says that you told him of the position of the various secretaries and the like at Presidential meetings which occurred earlier in the month.

Do you recall knowing that these meetings had occurred?

A The man is a liar. He lied about almost everything in that document, so far as I can tell.

Q So you don't have any recollection of either knowing that or saying that to the CIA?

A No. I absolutely did not know about the meetings, and I absolutely did not say anything of this sort to this man.

Q All right. You, according to your travel records, were back on Europe on the 14th of December, in Rome. Can you describe what you were back there for? Do you recall

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being back there? Let's put it that way. That's the easiest way to go at it.

A I think I was in Rome, accompanying Secretary Perle to a meeting of U.S./Italian high level defense group. I was a regular attendee at the meetings of U.S./Italian high level defense groups, whether they took place in Italy or the United States. That year it was in Italy, and I think that's why I was there.

Q They indicate that you then went to Geneva on December 16.

A Yes.

Q The same operation, or different?

A No. December 16 is when I went to Geneva at the invitation of Mr. Ghorbanifar to have dinner with him.

Q Now, in terms of that invitation, that came to you when, sometime earlier in December?

A Yes.

Q He invited you to meet with him in Switzerland because he knew of your trip to Rome; is that correct?

A As I recall it, he called and asked if we could get together. He said he had something he wanted to discuss with me. I told him that I was going to be in Europe anyhow in that period, and could meet him wherever he liked, because I would be simply heading back from Rome, so I could meet him anywhere between Rome and London, and he suggested Geneva,

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and I said fine. So I met him in Geneva.

Q Now, with regard to that meeting, had you told him by that time that you had been taken off of the Iranian initiative?

A Yes.

Q With regard to the meeting that occurred in Geneva, you -- what -- just had dinner together?

A Yes.

Q What did you discuss?

A Well, he discussed his various problems, what should he do at this point. He also confided his suspicion that the Israelis had made money out of this. This is part of the -- as I think I said last time, this is an affair in which everyone thinks that everybody else made money. So he said he was suspicious of Nimrodi and so forth, and I told him that was only fair, since Nimrodi was quite suspicious of him.

In any event, he said he just -- he did not know what to do. He said that the Americans had sent him a Polish gentleman -- this was Copp -- whom he did not like and with whom he felt he could not work.

Q Did you know the identity of this Polish gentleman at that time?

A No. And I told him I didn't know who it was, and told him, furthermore, that I didn't care who it was because

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I was not involved in this thing, and I did not wish to be dragged back into it because this would only end up by creating problems for me with my colleagues in Washington. And every time he would try to raise this thing, I would try to say, "Look, please leave me out of this."

We spent a good deal of time talking about the Libyan matter and the situation in Iran, which I was interested in and remain interested in, and the various terrorist questions that he was following. That was the bulk of the conversation.

Q [redacted]

A He said that he was willing to do anything that he could to have a working relationship with the United States Government. He very badly wanted cooperation, both in the area of terrorism and [redacted] whether he would be willing to take a polygraph.

And I am pretty sure that I asked him on that occasion, "If they asked you to take another polygraph, would you be willing to do it?" In any case, if it wasn't at that occasion, it was on another one, and he said, "Sure." And I said to him that I would convey that to them and tell them, if they wished to schedule such a thing.

Q Let me just give you a couple of other events and

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let's try to filter them in about what's going on in mid-December. As you may recall, the Chief of the European Division was off in Europe; right? He left, apparently, sometime during the course of your meeting on December 4th and didn't return until about 10 days later.

Casey was also out of pocket on December 4th, comes back into town in the middle of December and, according to the records that we have from his office, you and he had a face-to-face meeting on December 19th, 1986, which I have heard about secondhand from Charles Allen. Allen did not attend, but apparently discussed the meeting with Casey after it occurred.

Using those kinds of events and --

A When did I go to Rome?

Q You went to Rome on the 14th of December.

A All right. So I am back by then?

Q Right. You are in Geneva on the 16th; your meeting with Casey occurs on the 19th. We know that on the 20th, Casey called the Operations Director of the CIA and said, "We want you to get somebody to reevaluate Ghorbanifar." So you've got that series of events going on.

With regard to the meeting that you had with Ghorbanifar on the 16th, if you had scheduled your meeting with Casey, I would have thought that would be one of the topics you would have discussed with him. And if you did, I would like to

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know what the nature of the discussions were.

A [redacted]

Q One other thing that's going on, to try to trigger any further recollection you may have, is a memo in the Tower Commission Report, dated December 10, 1985, where Casey basically says, "We've met, after McFarlane's trip. McFarlane is down on Ghorbanifar. The president says, 'This thing is coming to an end,' but I'm not sure how strong his feelings are." In essence, that is what he is saying.

Somehow, between December 10 and December 20, 21, the initiative revs up again. Is it your recollection that you didn't know that the President had said no to the initiative on December 10th?

A No. Well, I didn't know about meetings, per se. It was my sensation that the whole thing was over.

Q As of December 10th?

A Oh, well before then.

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Q Okay. By December 19, however, I assume you would have had some knowledge that some life was coming back to the Iran initiative?

A Wrong.

Q Wrong. Okay. You do not recall discussing that with Mr. Casey on the 19th of December?

A That is correct. My discussions with Mr. Casey -- well, it would be wrong to say that I didn't discuss Iran with Casey. I certainly did discuss Iran with Casey, and I certainly, on that occasion and every other occasion that I may have seen him, expressed to him my very strong feeling that the kind of contact that had been established with the senior Iranian official should be pursued and expanded, and that I found it inconceivable that we, as a government, were not doing that. I said I thought we had to do that.

So all of that I would have said, along with all the other stuff. I mean every time I managed to get to a person at that level, I always said that.

Q Bear with me, Mr. Ledeen. The juxtaposition of events here strikes me, if nothing else, as intriguing.

Allen writes up his memorandum of his meeting with you of December 4th on December 18th, 1985, and apparently it is put into Director Casey's hands so that he will have it when he talks with you on December 19th, 1985. So I would have thought that one of the things that you all would have

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discussed is the very things that you discussed with Charlie Allen on December 4th. Can you recall?

A No. Casey, -- I never went through a detailed account with Casey of how the thing had started and how it developed. I did discuss Ghorbanifar with Casey, both on that occasion and on subsequent occasions. I urged Casey a couple of times, I don't remember if at that meeting, but certainly at another meeting, to meet with Ghorbanifar personally to try to form an impression of him, because I stressed to Casey that I had started full of suspicion and that, with the passage of time, bit by bit, I had come to the conclusion that this was a useful person, and that I thought there were things that Ghorbanifar could do for the United States which, so far as I could tell, nobody else could, and that we just could not walk away from such a useful character.

So this was the bulk of what I was saying, and that I thought the Libya thing was a good idea, and there were other things that one could do to terrorists that I thought were great ideas. Remember, my passion on terrorism was to find ways to strike both at terrorist organizations and at states that sponsored terrorism; that we were severely limited by law as to what sorts of things one can do. You can't kill anybody.

We were in this paradoxical situation where it's illegal to assassinate an individual, but it's okay to bomb a city,

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which I have always found to be crazy approach to the subject of counterterrorism.

So the nice psychological strokes are attractive. Someone tends to look for things of this sort, and I thought the business of humiliating Khaddafi, especially since something very much like it had been done by the Egyptians a couple of years earlier, was a wonderful idea, particularly since the way this was structured it would not only have embarrassed Khaddafi, because it would have proclaimed the man dead and then the guy would have stood up and said, "Yoo, hoo," some months later, but also because there was an arrangement whereby once this mock funeral were held, Khaddafi was then obliged to give to the presumed assassins of his opponent elements of the Libyan terrorist structure in Europe, so that would have been exposed at the same time. So I was arguing for all of these things.

Q Let me come back on what is going on during that period. First off, the meeting with Casey, how did it get set up? Who set it up? Did you call Casey? Did he call you?

A No, I called him.

Q You called him. Let me jump back because of that. When you met in Geneva, was anybody else present at this meeting you had with Ghorbanifar?

A No.

Q Just you and he. Did you make any record of what

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transpired at that meeting?

A I took some notes.

Q Do you still have those notes?

A No.

Q With regard to what transpired at that meeting, did you report this back to anyone, what had occurred?

A Yes, I did.

Q To whom did you report?

A I reported it to North, and I reported -- I think I reported it probably to Charlie, as well.

Q To Charlie Allen?

A Yes.

Q Did you relate what occurred at this meeting to Casey, when you met with Casey?

A I am sure I did.

Q When you met with North and related what happened at this meeting -- this would have been shortly after you came back?

A Yes.

Q And you told him what occurred at the meeting?

A Yes.

Q North did not react negatively to you having had this meeting; is that correct?

A That is correct.

Q So he did not say, "You are outside your mandate in

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meeting with Ghorbanifar anymore"?

A That is correct. I had already told him about it in advance, in any case.

Q All right. Now, with regard to the meeting with Casey, did Casey tell you that he was going to be assigning someone from the Operations Directorate to reevaluate Ghorbanifar?

A No.

Q You were contacted by somebody that told you that an agent from CIA was going to come visit with you, within a day or two of meeting with Casey; isn't that right?

A This wonderful man, yes.

Q Who contacted you?

A Charlie, I think.

Q Charlie did?

A I think it was Charlie.

Q All right. What did Charlie tell you in that regard?

A He said I was going to be contacted by a person who was working in this matter.

Q Did he give you the name of the person?

A No. He said the person would be using one of their funny names.

Q Do you recall what funny name was being used?

A He called himself

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Q All right. And [redacted] did call you?

A Oh, yes.

Q And he asked you to arrange with a meeting with Ghorbanifar?

A Yes.

Q Then, was Ghorbanifar planning to come in, in any event?

A Yes, I think so.

Q And you arranged for the interview to take place at your home; is that correct?

A Yes. Ghorbanifar was at our home for dinner; it seemed the easiest.

Q And according to [redacted] notes, he met with you first, and then later was joined by Mr. Ghorbanifar. Is that your recollection?

A Yes.

Q In his memorandum, which is actually a memorandum by one of his superiors, there is a statement, something to the effect that the Iran initiative had been begun by McFarlane in late 1984, as a result of a meeting between yourself and Mr. McFarlane. I think the expression was, "a year ago," or "over a year ago." Do you recall telling him that?

A Look, I am sure that we can go through this whole memorandum line by line and find that it is all wrong and

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although, as I said before that nobody is perfect, so there are probably some things in there that are right, that is one of the most misleading memoranda I think I have seen.

The bulk of the conversation that we had in my house, both before Mr. Ghorbanifar came and after, was about terrorism and about leading personalities in Iran. So far as I have seen in that memorandum, I have seen nothing in there about terrorism, and very little about leading personalities in Iran.

The reason, I suspect, that there is so little in there about leading personalities in Iran is that [redacted] did n . recognize any of the names of the leading Iranian personalities, for which I don't condemn him. After all, he had spent his whole career in [redacted] to that point and wasn't much familiar with Iran. But the fact of --

Q How did you know his background?

A I found it out from other people at the Agency.

Q Who?

A Oh, I don't recall. I talked to probably 10 or 15 people. But the fact of the matter was that he did not recognize the names of many of the leading figures in the country. And it shook me that CIA had sent to talk to Ghorbanifar, who is a different person to evaluate, a guy who was so clearly ignorant of the basic information about Iran, so I asked myself on what basis could this man possibly

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evaluate Ghorbanifar.

Q Speaking of Iranian evaluations, at the time you gave the information that you gave to Mr. Allen, did you know that he was going to make use of that information to prepare a memorandum for the use of Mr. McMahon at the December 7th, 1985, meeting with the President?

A No.

Q In terms of the memorandum he did prepare on December 6th, 1985, on the Iranian political scene, you do not recall having reviewed that memorandum; is that correct?

A I did not review it.

Q And my representation to you that there was such a memorandum prepared in anticipation of a meeting with the President on December 7th doesn't give you any further recollection that you knew there was a meeting with the President scheduled for December 7th?

A I did not know there was a meeting scheduled. I did not know the meeting was held, so I did not know there was a trip to London. I do not know that meetings took place in London involving Mr. McFarlane and Mr. Ghorbanifar. These were all things I learned about after the story exploded, not before.

Q Let's look at the things you did know. At the time that you met on December 4th with Allen, Clarridge, was there at least for part of the meeting; is that correct?

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A I think that is right.

Q Clarridge was aware, as far as you could tell, of the shipment of missiles to Tehran, was he not?

A I don't know.

Q You don't know. Okay.

MR. KERR: Joel, do you want to take some time now? I ran a lot longer, so let's shift gears.

BY MR. LESKER:

Q Let's go back to the relationship with the SISMI Bureau. First of all, prior to your coming on as a consultant to the Department of State, Mr. Ledeen, did you have a relationship with any agency of the Italian Government?

A I did some consulting work for two different parts of the Italian Government. I did one for SISMI and another for the Office of the Presidents of the Republic.

Q What was the nature of the work that was done for the SISMI?

A There was two basic elements. There was a kind of standard risk assessment, the details of which I, frankly, do not recall, but they were kind of standard, country-by-country risk assessments about the political future and so forth, and did a simulation for some of the SISMI counter-terrorist people.

Q When was this work done?

A It was done in the Fall of 1980

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Q Was there compensation paid?

A Yes.

Q Can you tell me what the level of compensation was for these two projects?

A Are you talking about -- there were other people involved.

Q Well, to you personally.

A To me personally?

Q Yes.

A Well, I don't remember precisely but it is somewhere in the neighborhood of a grand total for the two of them together of maybe $65,000 of $70,000.

Q How much time was consumed by these two projects?

A It is hard to say because between the negotiations for them and discussions and meetings and so forth, they covered several months. How much time was actually put in on the projects themselves, preparation of the simulation, off and on for a couple of weeks, then a day to get there, a day to rest, two days to run it, four days to do an evaluation, write a report, stuff like that, so a few weeks just for that.

Then the -- it is impossible to calculate how long it takes to prepare a risk assessment because you would have to figure out how long it took me to learn what I needed to know to do it.

Q Who is your principal contact in the SISMI Bureau?

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A General Santo Vito.

Q Did you also know a man names Francesco Pacienza?

A Yes.

Q Was he connected with the SISMI Bureau?

A Yes.

Q Did you ever have occasion to travel to the United States with Pacienza?

A I don't think so. I don't recall.

Q Do you recall ever bringing him to Connecticut to meet with General Haig?

A I introduced him one day to General Haig in Connecticut, yes.

Q Did you ever have a conversation with Pacienza about coming to work for the Department of State?

A No. About my coming to work for the Department of State?

Q Yes.

A I don't think I did, no.

Q Did you ever have a conversation with him about going to government, coming into government, your coming into government?

A I might have discussed with him the general possibility.

Q Did you ever make a request of him for financial assistance in the event you did decide to come into

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government?

A Never.

Q Were you ever the beneficiary of a payment, arranged by the SISMI Bureau, as a result of a conference which would have been sponsored by corporate entities, in other words the --

A No, I never was.

Q What was the source of the money that was paid to you for the two projects which you previously described?

A I have no idea.

Q You don't know whether there were corporate subscribers to those projects?

A I have no reason to think there were. In the one case, money was paid directly by an official of SISMI, and in the other case there was a transfer, by wire, from the Bank of Italy. So I would tend to doubt, in either case, there was any corporate money involved.

Q Were the proceeds of these two projects received by you as an individual, or by your company, ISI?

A It varied.

Q Well, in these two cases?

A In one case, as an individual, and in the other case, as ISI.

Q And was the money received abroad or in the United States?

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A In one case it was received abroad, and in the other case it was received in the United States.

Q Which case was received abroad?

A The personal money was received abroad; the ISI money was received in the United States.

Q What was the amount of the personal money that was received abroad?

A It was somewhere between $40,000 and $50,000.

Q How was it received?

A Cash.

Q What did you do with the money?

A I deposited it in a bank in Bermuda.

Q Okay. Can we get the number of that account?

A It has been provided, I think. It is on a return. But I must ask --

MR. WOOLSEY: If the material requested, any connection with Mr. Ledeen's financial matters has been limited to 1985-'86, both by the independent counsel and by Mr. Barbadora. Consequently, nothing relating to the period as long ago as 1980 has yet been subpoenaed.

THE WITNESS: Do you mind if I ask what relevance this has to this case?

MR. LESKER: I will get to that a little bit later. It is related to statements which were attributed to you in the Department of State.

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MR. WOOLSEY: So the account hasn't been provided yet because it hasn't been subpoenaed or requested until this point. Any accounts in 1985-'86 have been provided.

BY MR. LESKER:

Q Is it an account which is still in existence?

A No.

Q When was it closed?

A Just at that time. I had opened it because I had been told by an attorney that if I kept money earned overseas in an offshore account, that I would not have to pay taxes on it until I brought it into the United States. I checked this about a couple of months after I opened this account with another attorney, who told me that that was wrong. So I took the money out of the account, paid it to myself here, and declared it and paid taxes on it, and that was that.

Q Well, let's just defer then on the account number and so forth at this point, because I think I can cover this information.

A It is singularly uninteresting, I must tell you, this account.

Q But as I understand your response to the question on Mr. Pacienza that you, at no time, had any discussions with him about subsidizing your employment in government through either Mr. Pacienza or sources which might be available to him; is that correct?

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A I had, in fact, with the exception, so far as I can remember, one phone call from him. I had no contact with Mr. Pacienza during the time of my service in government.

Q Why did you bring him to meet with General Haig?

A Because General Santo Vito asked me if I would do that so that Mr. Pacienza could give General Haig a message from General Santo Vito.

Q What was the message?

A It had to do with terrorism.

Q Do you recall what the message was?

A Well, I am not going to discuss it, but it had to do with the knowledge of the Italian Government about a particular terrorist then.

Q I see. Prior to your meeting with Secretary Haig with Mr. Pacienza -- or General Haig with Mr. Pacienza, how many meetings had you had with General Haig? In other words, prior to this meeting in Connecticut, how many times had you met with General Haig?

A In my lifetime?

Q Well, in your professional lifetime.

A I don't know; a dozen.

Q Was this primarily as a result of his NATO appointment, or did it relate to other matters?

A No. I knew him primarily after NATO. When he left NATO, he came to CSIS, then we got to know each other. I had

known him when he was in NATO, but primarily afterwards.

Q Had General Haig ever made a commitment to you, at this time or about this time, regarding an appointment, should he become Secretary of State in the next administration?

A No.

Q When did you first become interested in an appointment at the State Department?

A I wasn't interested in an appointment at the State Department.

Q Well, how did you come to be a consultant at the State Department?

A I was never a consultant. I mean I became a consultant afterwards. I was a full time -- I had a full time position at the State Department. Haig offered me a full time job in the Spring of 1981.

Q He personally offered that to you?

A Yes.

Q When was that offered? In other words, what context was that offer made? Was it a meeting at the State Department?

A We met during the transition period in the State Department, and he asked me what position I -- what sort of job would I like, and I said that I was not interested in a job, per se, and that if what he had in mind was that we were

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friends and he wanted to be nice to me and presumed that I wanted such a position and so what was I interested in, if that was the purpóse of the conversation, then he should give it to somebody else who really wanted it, because I was happy doing what I was doing.

I explained to him what my career ambitions had been and, basically, they were to do what I was, at the time, doing, editing my own magazine, writing where I wanted to write, and so forth and so on.

But I said to him if at some time in the future there was a particular task that he thought I was the right person, that he had only to ask and I would certainly do it, and I did not care what the title was. So that was the basis on which we left it, and he thanked me. About three months later he called me and said he wanted me to do various things, and he was going to create a position called Special Advisor to the Secretary of State.

Q Did he personally call you in for that?

A Yes.

Q And you met with him?

A Yes.

Q You did not meet with Woody Goldberg or someone else?

A I also met with Woody.

Q Did you come on board immediately at that time?

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A I started to work there a couple of months later. I mean the paper work took a while longer, but I was given an office and so forth. I think probably starting in May, late April or early May.

Q Whose staff were you assigned to?

A The Secretary's staff.

Q How long did you stay on the Secretary's staff?

A All the time. I had a parallel -- I mean the bureaucratic locus of the Special Advisor to the Secretary, it was peculiar, because I was in "S" but was bureaucratically attached to the Counselor's Office.

Q At any point were you attached to Lawrence Eagleberger's staff?

A That was later. That was after Eagleberger -- after McFarlane left and Eagleberger became Under Secretary, I moved over there, but I was not originally on Eagleberger's staff. At that time, Eagleberger was Assistant Secretary for Europe.

Q What level clearance did you have at that time?

A I got Top Secret and then Code Word clearance.

Q Roughly around the same time?

A No. It took several months before all the clearances came through. It wasn't until the fall.

Q When did you meet McFarlane?

A I had met McFarlane in '79, '79-

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Q In connection with his work in the Senate -- Committee?

A Yes.

Q Had you seen him during the intervening period?

A No.

Q When did you meet Teicher, Roy Teicher?

A When he came to work for McFarlane.

Q That was the first time you had met him?

A Yes.

Q During the process of your application at the Department of State, which took apparently several months for the processing of your papers and so forth, did you tell anyone that you were expecting a large sum of money from abroad and that you intended to go to Bermuda to open a bank account to receive the money?

A No. I may have said that -- let's see what I might have said in that period that would have led someone to conclude, erroneously, that I said that.

(Pause.)

All I can imagine that I might have said was that in the past I had received -- I may have told them the story of this money in Bermuda, which was that I had at one time received a large sum of money and had put it in the Bermuda bank. Yes, I might have said that. But there was no expectation, there was no arrangement, there was no account to which I was going

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to travel to receive it, no such thing.

Q Was the account closed at that time?

A I doubt it. Technically closed?

Q Yes.

A It may have been technically in existence, but there was no money in it.

Q Did you and your wife travel to Bermuda during the period of time when your application for employment with the Department of State was pending?

A I don't think so, Joel. I think that the time I went there to open the account is the only time I have been to Bermuda.

Q And you went there by yourself at the time?

A Yes.

Q And that would have been in 1980?

A Yes.

Q You were asked previously, I think in the House deposition, regarding foreign bank accounts, and I think Dan Finn and I, in our informal interview, brought that up, and at that point you had said that you had no foreign bank accounts. Were you making a distinction between what was then open and pending and what had been open and pending previously?

MR. WOOLSEY: Could I ask for a clarification of that question, Mr. Lesker?

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MR. LESKER: What I am asking is, it had been my impression up until recently that you never had a bank account, a foreign bank account. I think, in response to that question, you may have been making a distinction between accounts which were then open or currently open, and accounts in the past, which you didn't include within the ambet of my question.

MR. WOOLSEY: This is a question you asked in an interview in our offices in April?

MR. LESKER: Yes.

MR. WOOLSEY: I didn't bring my notes with me of those questions. It is my impression that this whole business about the Bermuda account has been public matter for some time.

MR. LESKER: Well, it has been in the newspapers, but I had not, frankly, been aware of it at the time that I conducted the interview.

MR. WOOLSEY: Your question is, if you asked about it in April in the interview, after it was in the newspapers, and if he responded that he did not then have an account in a foreign country, did he mean to exclude the publicly-known Bermuda account from 1980?

MR. LESKER: That is right. In other words, wasn't thinking of it in a current context as opposed to what may have been opened in the past.

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MR. WOOLSEY: Well, he may have been thinking of the charter of the Committee which, based on my reading here, relates to the direct or indirect sales, shipment or provision of arms or other assistance to Iran, and the use of any proceeds to provide assistance to any faction or insurgency in Nicaragua. That also, frankly, seems to me to the subject of this deposition.

MR. LESKER: Yes. Well, what I am referring to is a vehicle which may have been established to receive funds, assuming that you received payments, as has been alleged by some individuals, that there would have been a vehicle by which those payments could be received offshore. That is the point.

MR. WOOLSEY: So we are back now to the question. Assuming that question and answer from your April interview, had he intended -- if that was your question and if that was his answer -- had he intended to discuss --

THE WITNESS: I have no account. The question was, "Do you have any foreign bank accounts?" I have no foreign bank accounts. At one time I had a foreign bank account. I mean I find the whole thing tiresome, to tell you the truth.

I want to make one quiet point to you. That is, at every stage having to deal with my activities, any time anybody has asked me a simple question, I have given them every last bit of detail about it. I mean the Italian thing is kind of a

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sore subject with me because, as you may be aware, I have a criminal libel suit pending for an awful lot of the allegations that people have made about it.

You should also keep in mind that last December, when the current head of SISMI was called to testify, what he said about what Pacienza had said, and about all the various thing that had been attributed to him by the Italian press, that it was all a lie, and that it had not happened, and that he had not said a word of it, and that he had not the slightest thing to say about me, because there was no evidence to support any of these claims.

All right. I mean I just note this in passing, since we are doing a deposition and since you have asked various questions about the Italian matter, I want to put that on the record as well.

There was, for a brief period, this account. It was opened for the period, for the purpose that I have described, and I got lousy --

BY MR. LESKER:

Q When was it closed?

A I mean it just died.

Q Was it in 1981?

A Well, it was gone by the end of 1980 because I declared all that money on my 1980 tax returns. No additional money was ever put into that account. That account has never

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been used for anything.

T2S2 Q So, as I understand it, there is no offshore account open today, nor has there been during the period of the time in question, which begins for 1985 to 1986?

A Yes. That is the best of my knowledge.

Q I mean for you. I mean you would certainly know that.

A Well, I mean there is no operative account. Let's put it that way.

Q Is there an inoperative account?

A I mean I could not swear to you that there was ever a formal document or instruction to this Bermuda account saying, "Please close it off." What I am saying to you is that the account was opened for the purpose of receiving that payment. That was the only income that account has ever had. The money was taken out of it, and I have no dealings --

Q You don't get statements on the account?

A I don't get statements from it. I don't have a checkbook for it. So far as I am concerned and so far as I know, the account is closed. However, since I don't want to, I mean I don't want somebody someday to say, "Well, where is the letter instructing them to close it?L" I am not sure that I ever wrote it. I tend to think I did, but in any case there is no life to it.

Q This is an account at the bank in Bermuda, was an

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account at the bank in Bermuda?

A Yes. I declared it on my tax returns. It was identified as such in 1980.

Q We don't have the authority to get tax returns. That is the reason that we try to get them from the independent counsel.

MR. WOOLSEY: You have authority to subpoena them.

MR. LESKER: Correct. We did do that. We did subpoena tax returns.

MR. WOOLSEY: Well, to put this on the record, what was subpoenaed was 1985-1986 tax returns. As a result of discussion with Committee Counsel, Mr. Barbadoro, the original versions of the returns, in clear copy, are in the hands of independent counsel, and there has been rather extensive correspondence back and forth between Mr. Barbadoro and myself since we got those subpoenas around June 15th, in which I expressed, on Mr. Ledeen's behalf, no objection to the Senate Committee examining the 1985-'86 returns and return information, subject to the constraints of the Internal Revenue Code, Section 6103, that I described at the beginning of this deposition.

MR. LESKER: Right. Thank you, and we appreciate your cooperation. We are endeavoring to get that material.

BY MR. LESKER:

Q Mr. Ledeen, let me show you a copy of an official

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printout, a report based on two filings that you made, with respect to disclosure of the importation of currency under the Customs regulations, and these are identified with you through your passport and your Social Security Number.

The first importation of currency, apparently, -- I apologize for the quality of copy, it is pretty bad, but in indicates, in Part Three, that $100,000 in currency was imported from a country with the initials SP, which I assume is Spain, by you on 11/24/79, or at least that is the date the report is filed.

A Yes.

Q Can you tell me what that importation relates to?

THE WITNESS: Do we have to make our little statement again?

MR. WOOLSEY: As long as -- it is clear that this is return information and, consequently, subject to 6103.

THE WITNESS: ISI was in the process of doing a project for the Spanish Government, and this was payment by the Spanish Government.

BY MR. LESKER:

Q In cash?

A Yes.

Q Is it customary to pay those expenses in cash?

A I believe it is, yes. It is my distinct impression that most West European governments, on sensitive projects,

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pay in cash.

Q I see. The next importation of currency occurs, according to this report, on February 8th of 1981 and it relates to $12,001, apparently received from France, Paris, France, and imported by you. Is that a correct report?

A This is 1981?

Q Yes. February 8th, 1981.

A I do not recall.

Q You do not recall?

A No.

Q How many such filings have you made in the course of your business experience?

A Any time that I have found myself in possession of cash which required me to declare it on the Customs' form, I always declared it. So these would be the only two occasions.

Q And, yet, you don't remember the -- did you have an account with a representation of an agency of the French Government?

A It just says "currency," and it doesn't give a country identification.

Q Yes, it says, "Imported from Paris, xx," for FR.

A Would you show me that?

Q See, right here. It says, "Imported from Paris."

A Yes, fine. But it is in dollars, evidently, Joel, because up here when it says, "Currency, country, Spain,"

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that was in pesetas.

Q Was it $100,000 --

A -- dollars worth of pesetas.

Q -- in pesetas? Okay.

A Yes, it was paid in pesetas.

This one is dollars, because it says, "Country, U.S." All right.

Q Well, it says, "Arrived at --"

A It says, "Currency, currency, country, U.S."

Q Oh, yes. Right.

A So, "Currency, currency." I mean there is no other thing, so that was in dollars. I don't recall what that was. But in any case, --

Q The reason that I bring it up, it is in this time period when you were applying, I guess, for the position at the Department of State; is that right?

A No, absolutely not. February 1981, I wasn't applying for anything.

Q So you made no effort at that point in time?

A Do you want to go through it again? I did not apply for a job at the Department of State. I was offered a job by the Secretary of State in the Spring of 1981. So I did not have anything pending in this period. I was not asking for anything. I had told the Secretary of State designate, in the transition period, that I was not looking

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for a job in the Department of State, and that if he wanted to offer me one, I would accept it, and I didn't care what its title was. I didn't care about rank or whatever. I had an option of asking for particular jobs there.

It was he who created a position for me in the Spring of 1981 because there things that he wanted me to do for him, and I accepted that position. But I was not lobbying for anything, or negotiating anything, or applying for anything. I didn't have any papers on file there, or anything of the sort.

MR. WOOLSEY: Mr. Lesker, maybe you can enlighten me further about the relevance of this to the Committee's investigation.

MR. LESKER: Individuals who have been interviewed by the Committee have been informed that during the period that Mr. Ledeen's paper work was pending at the Department of State, he had made certain statements, indicating that he was about to receive a sum of money and that the money would be received in this Bermuda bank account. I think we have been over this before.

BY MR. LESKER:

Q Now, you indicated that the Secretary of State personally offered you this position, and that you came on board without regard to rank or title, that sort of thing, to serve the Secretary.

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How many times, after you came on board, did you actually see the Secretary of State?

A Oh, many times.

Q More than five?

A Sure.

Q I mean where you were in conversations with him?

A Yes.

Q I don't mean that you just saw him in the hall.

A Oh, yes.

Q Would it surprise to you that the Secretary of State, Saturday, said that he had seen you perhaps twice in all that time?

A He is mistaken.

Q You have a definite recollection, though, that he offered you a position, personally?

A Yes.

Q Who is Rinah Schwimmer?

A I don't know.

Q You don't know Rinah Schwimmer?

A I don't think so.

Q She lives at 20 West 64th Street in New York City.

A You haven't helped me.

Q You called her 18 times in 1985 and 1986.

A No, I didn't.

Q Well, your telephone records show that you did.

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A Well, I may have called -- I mean if that is a phone number --

Q The phone number is 212-580-2974.

A Could I have the number?

Q Area Code 212-580-2974.

A If that is a phone number at which Al Schwimmer is located, I might have called him, but I don't know anybody -- I don't know anyone, by name, named Rinah Schwimmer. I haven't spoken to a Rinah Schwimmer, at least to my knowledge. But if that is an Al Schwimmer phone number, I could well have called Al Schwimmer at it in 1985 or 1986.

Q Did, in fact, you call Al Schwimmer at a number in New York City extensively during that period of time?

A Yes, I am sure I did.

Q Do you know Richard Miller?

A Yes.

Q How do you know Richard Miller?

A I knew him when I worked at the State Department.

Q In late 1984 and early 1985, did you have occasion to call him at his office?

A I could well have.

Q Do you recall what it might have related to?

A Well, I did a project, along with Elie Wiesel and Max Singer and Dean Maitre from Boston University on the Caribbean, on Central America, for something called the Gulf

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and Caribbean Foundation. They, at a certain point, brought in Rich Miller to help with some public relations campaign they were involved in to distribute the brochure that we wrote.

I think that was earlier. I think it was '83-'84 that we did this project. But I knew Rich Miller. I called him, we spoke every now and then.

Q When you came on board at the Department of State in 1981, did you have prior knowledge of other arms deals which the Government of Israel had done with Iran?

A By "prior," you mean during the period of the Shah, for example?

Q No, I'm sorry. During the period 1979, after the arms embargo was imposed.

A No.

Q You had no knowledge?

A That is correct.

Q Did you know David Kimche during that peridd of time?

A 1979-1981?

Q Yes.

A Yes.

Q Had you ever discussed with David Kimche, or anyone else in Israel, the benefits of U.S. acquiescence or approval of arms transfers from Israel to Iran?

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A No.

MR. WOOLSEY: I'm sorry -- "ever" -- at what point?

MR. LESKER: Well, during 1979 to 1981.

BY MR. LESKER:

Q Prior to your May 4th and 5th meeting, or May 4th or 5th meeting with Shimon Peres, on how many occasions had you met with him prior to that time?

A I would say three or four.

Q Were they private occasions, private meetings, or were they with other individuals?

A Some private, some with other individuals.

Q How many times have you met with him privately?

A Once that I can think of, prior to that one. Just to round it out -- all the meetings that I had with Peres, prior to the one in May 1985, were in connection with my work for Haig to the Socialist International.

Q Had you any knowledge of a deal which had been proposed by Defense Minister Ariel Sharon to transfer certain aircraft tires to Iran for, I think, their F-4's?

MR. WOOLSEY: When was this?

MR. LESKER: This would have been in the period around 1981.

THE WITNESS: All I can remember about that, Joel, is that I remember reading some articles in the newspaper where there were allegations that Israel was shipping things, and I

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think I remember someone writing, in an article, that it was tires, but aside from that -- I have some kind of vague recollection.

But I was not involved. I mean I hasten to point out that in the State Department I did not work on Iranian matters. It was not part of my brief. I didn't receive intelligence on Iran. I didn't read intelligence on Iran. I didn't follow the matter at all.

BY MR. LESKER:

Q You had prepared a book on the fall of the Shah, and at what period of time was that published?

A That was published early in 1981.

Q In order to prepare the manuscript for that book --

A The manuscript was -- it is an interesting story. The manuscript was essentially in shape in the Summer of 1980, actually before the Summer of 1980. We had two identical offers from two very good publishers, one of whom wanted to bring it out as a paperback in time for the campaign, because they thought it would sell very well as a campaign book, and the other was from Knopf who said they could not bring it before the Spring of 1981 as a hard cover. And we opted for Knopf, because we didn't want a campaign book, we wanted a serious book. So the book was written a year before it came out.

Q If I can go back for a minute to the December 16th

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dinner meeting with Ghorbanifar that was raised initially --

MR. KERR: That is December 16th, 1985?

MR. LESKER: Yes, 1985.

BY MR. LESKER:

Q What was discussed at that meeting?

A I told you.

Q Well, you --

A We talked about his various problems, we talked about the situation in Iran. We talked a great deal about Libyan operation that he wanted to run. We talked about terrorism.

EXAMINATION BY COUNSEL FROM THE OFFICE OF SENATOR JAMES McCLURE

BY MR. GERARD:

Q I think you indicated earlier, Mr. Ledeen, that you had met Mr. Ghorbanifar at the Air France counter on an occasion. Was that prior to the December 16 meeting?

A As I said before, I don't precisely remember when it was, but it could hardly be related to the December 16th meeting because the December 16th meeting, I had been previously in Rome and then went to Geneva for the express purpose of having dinner with Mr. Ghorbanifar. So it was either before or after. I am guessing that it was before.

Q But at that point of contact, you had dinner with Mr. Ghorbanifar that evening; is that correct?

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A Yes, that is correct.

MR. WOOLSEY: I am sorry -- December 16th or at the time of the Air France contact.

MR. GERARD: At the Air France contract.

THE WITNESS: It is true in both cases.

BY MR. GERARD:

Q What was discussed at that meeting, when you ran into him, I think you said just coincidentally, at the Air France counter?

A I don't really remember.

Q And you went and had dinner with him that evening.

A Yes.

Q You don't recall anything at all?

A No. But if it is the occasion in which I guessed earlier, then it would be an occasion on which he would have spoken to me a great deal about terrorism, and I would have taken notes, and that would have given me the basis to give some things to Charlie Allen whenever it was, the 4th of December. I mean that is a possibility.

Q Terrorism, but not the Iran initiative?

A Look, I want to be as clear as I can; that as of the time that Admiral Poindexter said that he was taking me off of this, I did my very best not to involve myself in the Iran initiative.

I did continue to pursue all the activities that I

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thought were legitimate in connection with counterterrorism, so that in my conversations with Mr. Ghorbanifar subsequent to whenever it was, the 25th, 26th of November 1985, when he raised, as he invariably did, something connected with the Iran initiative, I would always say, "Please don't talk about that with me because I'm not involved. You will only get me into trouble if you talk about it, so please leave me out of it."

My role in the Iran affair, from November 27th, 1985, on consisted primarily in my efforts to convince American officials not to do arms for hostages and to return to the geo-political initiative.

Q I would like to ask one other question. You indicated times, I think after Mr. Poindexter had told you or indicated to you that you were off the initiative, and your best recollection that you talked to Ollie North about that, to try to get some impression, perhaps, what that actually meant, that you were no longer part of that.

Ollie indicated to you at that time that you would no longer be allowed to review information in his office; is that right, or can you clarify that point?

A What I think I said was he told me I was no longer to have access to the special compartmentalized intelligence dealing with the Iran initiative that I had been reading up until that point.

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Q So from that point on, you no longer had any access to that compartmentalized information dealing with the Iran initiative; is that correct?

A That is correct.

Q But you did continue to visit Mr. North's office on numerous occasions to read other information, I assume related to terrorism but not specifically the Iran initiative; is that correct?

A That is correct.

MR. KERR: Let me jump in. I know you all have to leave in about five minutes, but there are a couple of questions I was asked to make sure that we got at, and we are going to cover some territory one more time.

FURTHER EXAMINATION BY COUNSEL FOR THE SENATE SELECT COMMITTEE:

BY MR. KERR:

Q Let me take you to October 27, 1985, in terms of the meeting in Geneva that we talked about before, okay. If you would look at this piece of paper which has a number of people listed on it; can you tell me if you met with the people that are on that list on October 27th, 1985?

A The first person on this list was not present, to the best of my knowledge.

Q If you would just draw a circle around the people that weren't there, that would be good.

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A (Witness marks document.)

Q Okay. Anybody else who was present but is not at that list?

A Well, my name is not on the list.

Q I understand. Other than you?

A There was another person who was in and out, but probably did not speak the language we were speaking and probably doesn't --

Q Do you know the identify of that person?

A No.

Q Do you know their nationality?

A Yes.

Q What was their nationality?

A It would be an Iranian.

Q An Iranian?

A Yes.

Q But you don't know the identity of that Iranian?

A That is right.

Q All right. Now, with regard to that meeting on October 27 that occurred with the people that you have listed present, was there discussion of 600 Hawk missiles at that meeting at that time?

A No, I don't think there was.

Q At any time, during the period that we have talked about in October, which is the 26th through the 29th, was

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there discussion of 600 Hawk missiles, that you were present for, where you actually about it?

A I don't think so.

Q Has anyone ever told you that there was discussion of 600 Hawk missiles at that series of meetings that took place between the 26th and 29th of October?

A Not that I can remember.

Q And you have no recall of a specific request being made by the Iranian representatives for delivery to them of 600 Hawk missiles?

A From as of the meeting in the OEOB on 8 October 1985.

Q All right.

A There was a series of requests from the Government of Iran for a variety of missiles which covered an enormous range and quantity of missiles, and which changed according to sunspot activity, or something like that, so that for almost any quantity and any type of American missile, probably in that period, there was a request for it, or twice it, or ten times it.

But I don't recall any specific request for a quantity of 600 Hawk missiles at any point. And I don't' believe it came up at all in that period, in the period you are referring to.

Q All right. You believe that it came up at an

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earlier time, if I remember your testimony correctly; the Hawk missile question came up in a period --

A The Hawk missile question, in general, yes, came up at an earlier time.

Q And that earlier time would have been on or around October 8th, 1985; correct?

A That is correct.

Q Let me move you again to another area. November 15, 1985, were you aware of a meeting with Rabin, McFarlane and others?

A No.

Q You were not?

A Rabin?

Q Yes -- I'm not very good at names or pronunciations. I can't spell them either.

A No, I was not.

Q When, if ever, did that come to your attention that there had been a meeting between McFarlane and Rabin?

A Just now.

Q Just now?

A Well, no. I think McFarlane testified to it.

Q Okay. But prior to the events of November '86, you did not know that there was a meeting on November 15 between Rabin and McFarlane; correct?

A That is correct.

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Q All right. Were you aware of a meeting on November 7, are you aware of a November 7 meeting of Kimche and McFarlane? That is November 7, 1985.

A There was a meeting between Kimche and McFarlane which I arranged, but I think that was later in November.

Q What is your recollection of the meeting?

A Well, I had asked Kimche to talk to McFarlane because I was convinced that McFarlane was getting ready to resign, and was in a bad psychological state and was planning to abandon the entire Iranian initiative. I urged to Kimche to talk to McFarlane to ask him, first, not to resign; and second, not to abandon the political initiative with regard to Iran.

Kimche came to Washington. We had lunch together with North who urged him to do the same thing, and then he went and spoke to McFarlane. But I think that was later in November.

Q Can you place it in time with relation to the Hawk delivery of November 23, 24?

A Well, if I had to guess, I would guess that happened, that such a meeting was after that.

Q After that?

A Yes.

Q After Thanksgiving?

A Yes, I think so. Don't you have a record of a

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Kimche/McFarlane meeting in late November or early December?

Q I don't. I have got one November 7th.

A I mean it could have been that early.

Q With regard to the meeting, did you attend the meeting between Kimche and McFarlane?

A No.

Q Did you receive a report from anyone about the meeting?

A Yes.

Q From whom?

A From Kimche.

Q What did he tell you?

A He said that he was going to resign.

Q He said that --

A His impression was that McFarlane -- McFarlane told him that he hadn't decided yet, but Kimche's clear impression was that McFarlane was going to resign.

Q All right. Now, the other aspect of the meeting was supposed to be the Iran initiative. Did Kimche give you any report of what he and McFarlane talked about in terms of the Iran initiative?

A Kimche just told me that he had said to McFarlane that he thought it was important to continue it, and that for all the difficulties and problems, that the contacts we had made and the prospect for a broader range of political

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contacts was simply too promising to give up and that it should be pursued.

Q All right.

A But it could be that that November 7th meeting is that meeting.

Q Do you have any knowledge today of anyone else who attended that meeting between Kimche and McFarlane?

A No. My clear impression was that there were only two people present.

Q Do you know of any writing that sets forth what occurred at that meeting?

A No.

Q Do you know of any discussion at that meeting of the Hawk transaction?

A No.

Q When you had lunch with North and Kimche about this meeting, was the Hawk transaction discussed?

A No, not so far as I can recall.

Q And the only people at lunch were you, Kimche and North; is that correct?

A That is right.

MR. KERR: I have run you out of time. Arthur, are there other things that you want to cover on this matter? Anything else. I apologize, Joel.

MR. LESKER: I just have, really, one more question.

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THE WITNESS: I just don't want to come back again, so if you have more questions, please ask them until you are finished, and let's end this thing. I mean I will stay until you are done, but let's exhaust the questions.

BY MR. LESKER:

Q In connection with the Kimche meeting with McFarlane in the Summer of 1985, Fawn Hall, I believe, testified that Mr. Kimche was brought to Colonel North's office.

A Yes.

Q Can you tell me why that was?

A I think that -- look, I think that Fawn has confused two meetings in her memory, because the meeting that I thought they were asking her about would have been the meeting in July or the meeting in August, and she said she thought that I brought him there as a holding place, waiting to go and see McFarlane.

Now, I didn't know about the July meeting, so it could not have been that one, and the August meeting I was in Israel, he just came, so I couldn't have arranged that. The one that I did arrange is this one in November and there, David did come to the OEOB and waited in Ollie's office until Bud came free and then walked down to see Bud. So I think that is the meeting --

Q You think she is just confused?

A I think that is one she is remembering, yes. But,

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again, I have no knowledge of either July or August. I didn't know there was a July meeting and the August meeting I knew about but wasn't present. So my guess is that what she has done is to confuse these.

MR. WOOLSEY: We will stay longer if you have further questions. I would like to go ahead and wind this up today.

MR. KERR: Do you have further questions, Joel?

MR. LESKER: No, I just asked all mine.

MR. KERR: The first thing I would like to do is get this folded piece of paper marked as Ledeen Exhibit 1.

(The document referred to was marked for identification as Ledeen Deposition Exhibit 1.)

BY MR. KERR:

Q Let me take you back into December so that we can proceed with the chronology --

MR. WOOLSEY: Of 1985?

MR. KERR: Yes, December of 1985.

I am going to have to take you through some things that were set forth in this memorandum of what occurred at the meeting, so that you have an opportunity to tell me why it is that they're wrong.

MR. WOOLSEY: "This memorandum" is the one by the CIA official?

MR. KERR: Correct.

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MR. WOOLSEY: Would it be possible for him to see the memorandum while you are asking him about it?

MR. KERR: Sure.

BY MR. KERR:

Q What is your clearance at the present time, Mr. Ledeen?

A I have no current clearances.

Q I think you guys are going to have to let me read you selected excerpts. Mr. Ledeen, I don't like this any more than you do. Back home in Baltimore, we don't do this kind of nonsense. I'm beginning to learn of a whole new worked in Washington, D.C.

Mr. Lesker, who is always a stickler for knowing details, wants to know -- you lost your clearance when you left the NSC, is that right?

MR. LESKER: I thought you still had a DOD contract?

THE WITNESS: No. At the moment, I have no government relationship, as of a couple of months ago.

BY MR. KERR:

Q And the government, being the government, they took your clearance when you stopped being an employee?

A No need to know.

Q No need to know. You're compartmented out. Okay. This memo is broken down. It is printed in large

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detail. Most of everything that is in it is in the Tower Commission Report, so it's not going to come as a surprise to you. But the first portion of the memorandum describes the meeting that apparently occurred between the CIA Chief of the [redacted] and yourself, at least as he recollected it.

He said that at the meeting, which he said occurred on December 22nd, you reviewed with him your relationship with Ghorbanifar, and then you said the following: Quote, "About a year ago, he (Ledeen) had done to the former National Security Advisor, Robert McFarlane, to discuss the need for an Iran policy. Ledeen suggested to McFarlane that he be authorized to contact the Israeli Government to see what could be done in conjunction with them. McFarlane authorized this contact, and shortly thereafter Ledeen met with Prime Minister Peres."

That memo was written December 22nd, 1985, and by the "year ago" reference, it seems to relate back to sometime late 1984. Were you in contact with McFarlane about Iran or changes in Iran policy at that time, late 1984?

A No.

Q And the authorization from McFarlane to you to meet with Peres would not have occurred in late 1984; correct?

A It occurred in May of 1985.

Q So the chronology, as you recall it, begins in the Spring of 1985; it does not begin in the Winter of 1984?

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A The chronology, my first conversation with McFarlane about the subject was not until the late winter or early Spring of 1985.

Q Okay. The Chief of the [redacted] in his report which goes through yet another layer before it gets published, says that you had told him that you had met, as of December 22, 1985, with Ghorbanifar 20 to 30 times; is that true?

A False.

Q Did you tell him that?

A No.

Q You did not. He says that you told him that from this contact the operation developed to have the Israelis, at our behest, deliver to Iran 500 TOW missiles, and more recently 18 Hawk missiles in exchange for the release of all the hostages held in Lebanon. Do you recall making that representation to him?

A I do not recall it.

Q You were knowledgeable about these deliveries, as of that time?

A I was.

Q And he did ask you to relate to him, I guess, the history of your involvement with Ghorbanifar?

A He did.

Q So it is not completely inconceivable that you would have related these numbers to him; is that correct?

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A That is correct.

Q All right. He then goes into a discussion of what went wrong on the Hawk transaction. How knowledgeable were you about what went wrong with the Hawk transaction, as of December 22, 1985?

A I don't know, because I don't know to this day exactly what all the details were. I had had, by then, an account from Ghorbanifar, in some detail, despite all my protestations, "Please don't tell me," so I had had a bit of that.

Q Do you remember when you got that? Was that at the December 16 dinner?

A Yes.

Q So Ghorbanifar -- I have read a lot of Ghorbanifar material now. My guess is he unburdened himself to you on December 16; is that fair?

A Yes.

Q So he would have told you his view of what had gone wrong with the Hawk transaction on December 16?

A I am quite sure that he did that.

Q Okay. That is helpful. Do you recall the extent to which you related to the CIA representative what Ghorbanifar had related to you?

A No, I don't recall it.

Q Let me read you this passage and see if it is

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consistent today, in terms of what you recall today knowing back then. "The delivery of the Hawk missiles has been an operational nightmare. There was a misunderstanding about the type of missiles the Iranians were seeking. They wanted a missile that could hit a target at 70,000 feet and already had Hawk missiles in their arsenal.

"What they thought they were going to get was a modified and advanced version of the Hawk. They are quite angry about the delivery of the missiles, and have asked that they be removed from Iran as soon as possible. Their presence in Iran is politically troublesome to the Iranian hierarchy. They are now asking for Hercules or Phoenix missiles."

Do you recall relaying that kind of information to him?

A Well, they had long since been asking for Hercules and Phoenix missiles. Essentially, I think that account is what I remember knowing about it.

Q Okay. The details like whether they would shoot down planes at 70,000 feet was the kinds of things --

A No. I knew that one of the problems had been that the Iranians wanted a missile that could shoot down things -- I remember 60,000 feet at the moment, to tell you truth, rather than 70,000, but that they wanted something which had a greater range than what they had gotten.

Basically, the Iranian complaint about the missiles that arrived were two-fold -- well, three-fold. First, it was the

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wrong missile, because it didn't have the range they wanted; second, they were defective wrong missiles; and third, they had Israeli markings all over them. So it was a defective missile that was a provocation, and they were angry, and they wanted people to come and take the awful things away.

Q All right. On that score, as you now know from reading the Tower Commission Report, and as we mentioned earlier on, North had attributed the wrong missile to your good offices.

I want to make it clear. You, to the best of your recollection, didn't negotiate with the Iranians on what kind of missile they were going to get, did you?

A If I could be more explicit than that, I would. I did not, at any time, discuss with any Iranian what kind of missile they were going to get. The missiles were sent by the Israelis to the Iranians, and all negotiations over the technical characteristics of any of these things, or how they were to be delivered, or what they were to cost, what was going to be paid for them, how it was going -- all those technical details were things that I knew nothing about and in which I was not involved.

Q Do you know the identities of the people who negotiated those details?

A I do not know. I presume that it was the usual people, namely Schwimmer, Nimrodi and Kimche.

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Q All right. But so that I understand you, when Ghorbanifar unburdened himself on December 16, he didn't identify to you the specific human beings to which he attributed this foul-up?

A That is correct.

Q And to this day, you don't have this knowledge?

A That is correct.

Q Now, the next paragraph of this memorandum talks about the reference we talked about earlier, about a previous meeting. Let me read you what he says and tell me if it gives you a refreshed recollection, or if you remember saying these things.

It says, "Ledeen stated that at a recent high level meeting which included the President, Secretary of State Schultz, and Defense Secretary Weinberger at that meeting, a decision was made not to proceed with Ghorbanifar in an effort to release the hostages. Schultz and Weinberger reportedly are quite unhappy about this operation."

First, do you recall relating this description of a high level meeting to this CIA representative?

A No.

Q Did you have knowledge of such a meeting at that time?

A No. I had knowledge of earlier meetings at the beginning of the project, at which time both Schultz and

Weinberger -- my understanding had been that both Schultz and Weinberger had been opposed to it, but I had no knowledge of a recent meeting.

Q Specifically, did you have knowledge of a recent meeting that included the President of the United States?

A No.

Q Did the CIA agent relate to you his knowledge of such a meeting?

A I don't think so.

Q Okay. As of today, do you have any knowledge of the basis for this representation in this December 25-26 memorandum?

A No. I would guess that he misunderstood something I may have said about a meeting back in July or August of 1985 to refer to something which had happened recently. That is the only explanation I can give you.

Q To make sure we are on the same wave length, though; you, at that time, did not know of the meetings of December 7th or December 10th that included the President?

A I don't know today about the meetings of December 7th, December 10th.

Q But you certainly didn't know then?

A No.

Q Okay. Then we come to the famous aside -- he says, "That as an aside, Ledeen noted they had purposely overcharged

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the Iranians and had used about $200,000 of these funds to support Ghorbanifar's political contacts inside Iran." Did you say that?

A I don't think I said it. I don't think I drank that much. What he probably -- what I may have said was that, because I believed it, was that Ghorbanifar had spent a significant amount of his own money to support people inside Iran, and he hoped to be able -- that in the future, he would be able to recoup this in one way or another.

But I did not have then, and I will say again, I do not now have any basis for believing that commissions were paid to anybody in this affair. I just don't -- I have never seen any proof of it. I have heard a million and one allegations, but I have never seen any evidence.

Q Did you know then, in December of 1985, of any conscious overcharge for the purpose of generating monies that would be used by Ghorbanifar to pay -- whether you call it commissions, bribes, gratuities, gifts, whatever -- to Iranians?

A No, I didn't. I knew that there had been, if you want to put it this way, a deliberate overcharge, as I testified last time.

Q Make the distinction for me again. When you use that term, what are you referring to?

A What I am referring to is the necessity of gener-

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ating money to cover the purchase of replacement weapons and the expenses associated with the operation, travel, transport, insurance, pilots, airplane rentals, all that sort of thing.

Q But for the purpose of putting cash money in people's pockets, that would not be used to pay for airplanes, or missiles, or things like that, you did not understand that to have been part of the deal?

A That is correct. Indeed, I would, and have put it more strongly, which was I believed we had an explicit understanding, at least with the Israelis, that there was to be none of that, and there would be none of that.

Q All right. If I am remembering your testimony correctly, you did not know of the burn notice, as of the time you had this meeting with the guy from the [redacted]

A Correct.

Q He attributes to you, in this memorandum, not only knowledge but representation to him that there was such a thing. He says, "Ledeen said that when he learned of our burn notice on the subject of Ghorbanifar, he contacted Ghorbanifar in an effort to have him explain the situation."

Does that refresh your recollection, that you knew of the burn notice and that was why you were summoning Ghorbanifar back?

A No. I summoned Ghorbanifar because -- you mean for this meeting here?

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Q Yes.

A No. I summoned Ghorbanifar at CIA's request.

Q Okay. And that, as I understand it, is you got a call or had a discussion with -- Charlie Allen is your recollection, right, in which Charlie said, "We want to meet with Ghorbanifar."

A Yes.

Q Could it have been someone else that you had that discussion with?

A Could have been -- you know, it could have been Casey or it could have been this chap here. I do not recall. But CIA wanted to talk to him. The original conversation was with Casey, and Casey said, "Well, let's try to clear the thing up with him."

Q But there is a matter of emphasis here that I want to get clear in my mind. One could read the events, and particularly this memorandum suggests that Michael Ledeen was trying to package up and sell to the CIA Manucher Ghorbanifar as somebody they ought to be doing business with, or getting to know, or learning to love, any of those kinds of concepts.

A Yes.

Q What I am hearing from you is that it was the CIA that was asking you to bring this gentleman in, not you trying to persuade them to have the meeting; is that correct?

A No, no, no. I was definitely trying to convince

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the CIA that Manucher Ghorbanifar was someone with whom I thought they should work, on the grounds that he had provided us with considerable amounts of information that proved to be accurate.

Remember, by now, we had several months where we could check this out. He had provided accurate information about Iran. He provided accurate information about terrorism. He had given us lines which enabled us to greatly expand our knowledge of the political situation inside of Iran and personalities inside Iran, as well as various people active in the terrorist universe, whether they be Iranian or other; some Syrian, some Libyan, et cetera.

I simply thought that from the standpoint of the American national interest, that someone with these contacts and with such knowledge, was someone with whom the Government of the United States ought to work. How, in what way, in what kind of relationship, who should do it, and all of that, was not a matter for me to decide. I am not a professional intelligence officer.

But I simply did what I thought was my duty in such a matter, which was to bring to their attention the fact of the existence of this person and to tell them what my experiences had been.

Q So you were an advocate for Ghorbanifar being utilized by the U.S. Government in December of 1985?

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A I would put the emphasis on the American side, as I was an advocate of the utility to the United States of using Mr. Ghorbanifar for some purposes, yes.

Q The next question I have, though, is were you an advocate of the CIA being the entity that was using that? I mean up until you meet with Charlie Allen on December 4, the CIA had, at least as I understand your understanding, been out of the picture. Why, come December 4, are you suggesting that the CIA reevaluate Mr. Ghorbanifar?

A Because -- well, the reason why I had made no approach to the CIA previous to December 4, was that I had been instructed not to inform them.

Q By?

A By McFarlane.

Q And by North, or just by McFarlane?

A No. By McFarlane. In this matter I worked for McFarlane.

Q All right.

A So there was no reason to do it, and there was every reason not to do it.

Once the Iran project, as far as I understood it, was terminated, and certainly my role in it was at an end, I felt now free to go to CIA, to tell them about Ghorbanifar for different purposes, that is to say terrorism, counter-terrorism. And so my approach to CIA was simply to inform

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them of the existence of this person and to encourage them to make use of him in our counterterrorist program.

Q Again, if I am understanding your testimony, you cleared, through North, this idea of going to the CIA?

A Yes. I told North that I was going to do that, and he said he thought it was a good idea.

Q You did not discuss the approach to the CIA with McFarlane?

A Correct.

Q Or Poindexter?

A Correct.

Q So your contact point was North, and North said it was okay by him if you went to seem him?

A Right.

MR. WOOLSEY: If I might interject, Mr. Ledeen has testified previously about his efforts to see Admiral Poindexter, and his lack of success in being able to do so.

MR. KERR: I understand that. The problem I have had is: A. making sure I understand when, from the various testimonies, that Poindexter message came. That isn't altogether clear in the previous testimony.

BY MR. KERR:

Q I think you have placed it, as best you can now, as having occurred sometime after November 24 or 25, sometime around November 26.

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A Well, he said to me -- when I carried him the message from the Iranian Prime Minister, that was when he said to me, "You're being taken off this thing."

Q All right. The problem I am trying to pursue is, you are taken off of it; yet, you are at the CIA within days of having gotten that instruction. You are there because North said you could go; correct?

A Yes. But, look, I don't see why this should surprise you. I am there, not to talk about an Iranian project. I am there to talk about a Libya project and a whole series of things to do, with regard to terrorism. I am not there lobbying them to go back into Iran. I didn't go to Charlie Allen, Dewey Clarridge and so forth and say, "Hey, you know, we really ought to continue that wonderful Iran project that we had." Not at all.

I went to them and said, "Look, here is a man, he had to do with this Iran thing. I have nothing further to do with it anyway. I think it's finished." That was my understanding, remember, that there was no Iran program. All right. I said, "Okay. But here's a guy that you people should use. He has a Libya idea which I think is a good idea. He has all kinds of information, entrees in the world of terrorism. He is extremely useful to us." This was my work there at the NSC.

Q You were aware, were you not, as of this time, the

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third week of December, that Ghorbanifar was having discussions about further arms for hostage transactions with American representatives at that time?

A I don't know if I knew that then or not. I certainly knew it within a month or two.

Q You can't place it any closer than that? I mean as of the time January 11, 12, and 13, Ghorbanifar is back at your house and having his lie detector test taken. You knew that there were discussions that were going on, that he was having with Americans about continuing the arms for hostage transactions; correct?

A I knew he was having discussions, but I didn't know that anything had been decided, as best I can recall it. I think it took a while longer for me to figure out that they were actually -- that they had done it, they were going to do it again.

Q All right. But in any event, as of December 22, when you were meeting with this CIA representative, your state of mind is such that you don't have a present understanding that the arms for hostages aspect of the Ghorbanifar relationship is a continuing matter?

A No. So far as I was concerned, it was finished.

Q All right. There is a representation in this memorandum that you made the point that any serious covert action operations directed against Iran using Ghorbanifar

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should be run out of the White House, not CIA, because, quote, "It will leak from Congress." Closed quote.

Do you recall giving that bit of advice to the CIA representative?

A I don't recall it, but it is conceivable.

Q All right. You would have been an advocate at that time of not having the CIA run whatever covert operation the government was running against Iran out of the CIA; is that right?

A No, that is wrong. In fact, I had, starting in October, said to McFarlane that I thought any serious Iran program could only be conducted by a professional intelligence service, and could not possibly be managed by the NSC, because we didn't have the manpower to do it and we didn't have the technical capacity to do it. I said that to him already in October.

I think that probably what [redacted] misinterpreted in this discussion -- again, I have no recollection of saying anything quite like that, but what I might have said to him would have been words to the effect that when one deals with contacts like Ghorbanifar and some of his Iranian friends, where the sensitivity of the contacts is such that their disclosure might cost them their lives.

It is sometimes better to have these contacts done through the NSC because you don't have the same reporting

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requirements, or words to that effect.

Q Well, this notion of not having reporting requirements, how did you come by that notion? One assumes that that has a certain amount of legal analysis built into it. Who had presented that notion to you?

A Well, CIA is required to report all current --

Q I know CIA's reporting requirements. As to the NSC not having the same reporting requirements, where did that come from?

A I think that when the NSC has discreet contacts with foreign officials, that it is not automatically required to report them to Congress.

Q Going beyond contacts to operational roles, were you aware of the NSC being engaged in intelligence operations?

A No. What I would be referring to was contacts. Indeed, there was, exactly at the point where this thing was becoming an operation, that I was going to McFarlane and saying -- or when it had developed the potential that at some subsequent date it might become an operation, that I expressed the opinion that it required a professional intelligence organization.

Q All right. So insofar as this gentleman is relating to the CIA that you suggested that a covert operation for Iran be ran by the NSC, as opposed to the CIA: A. you didn't say that, and B. it would have been a misconstruction

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by him of what you were saying; is that right?

A I certainly don't believe it.

Q Do you recall saying that?

A No.

T3S2 Q The memo also says that Colonel North dropped by that evening. Do you recall Colonel North dropping by?

A That is correct.

Q What was the occasion that caused the Colonel to come by; had you told him that you were going to be meeting with a CIA representative and Ghorbanifar that evening?

A Yes.

Q Did he indicate an interest in coming by to visit?

A Yes. Well, I invited him to come by, if he was interested.

Q Okay. To what extent did Colonel North participate in the discussions with the CIA representative that evening?

A I don't really recall. I recall him arriving fairly late, and that it was mostly chit-chat.

Q The reference that is contained in the memo about North seems to relate something to the effect "that North dropped by to say hello to Ghorbanifar and talk with Ghorbanifar about the problem of retrieving the missiles from Iran." Do you recall that discussion?

A I don't recall it, but it is possible.

Q The memo also says that the question of a polygraph

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for Ghorbanifar came up at this meeting on the 22nd; do you recall that?

A Yes. I think that [redacted] asked Ghorbanifar if he were willing to take a polygraph.

Q Was that a bolt from the blue, or had you been aware of the fact that the CIA wanted to repolygraph Mr. Ghorbanifar before this meeting?

A I was aware of it.

Q And you were aware from what source?

A I think from the Director.

Q From Casey?

A Yes.

Q Did Casey explain to you why he felt another polygraph of Ghorbanifar was a good or bad thing?

A Yes, because he said that since the objection to Ghorbanifar at the Agency rested so largely on the two previous polygraphs that one way to resolve this matter, or clear it up, might be to give him a polygraph where he could explain what happened on the first two, and that if he could satisfactorily account for why he made false statements on the first two polygraphs, that might then lay the basis for a good relationship in the future. So this was to be a polygraph on the first two polygraphs.

Q So you clearly understood this to be a revisitation of prior situations?

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A Now, that was explicit. That was explicit, not only on the occasion of that evening at my home, but it was reaffirmed just prior to the polygraph itself a few weeks later.

Q And the representation on what the polygraph was to be about was made to you by Casey?

A No. By [redacted]

Q By [redacted] Both on December 22nd and, subsequently, about January 11th; is that correct?

A Correct.

Q In terms of the understanding on when Ghorbanifar was to be polygraphed, what was your understanding, as of December 22nd?

A That it would take place in the near future and that the main question was one of the availability of a senior polygraph operator that [redacted] was trying to locate, because he said he did not want some inexperienced operator. This was supposed to be a friendly polygraph, so they wanted a [redacted] and that when this person was available, he would get back in touch with me and I would try to see if Ghorbanifar could come and make that schedule.

Q All right. Again, these representations about the details came from [redacted]

A Yes.

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Q Were you aware that the next morning, which would be a Monday, the 23rd of December, Casey was going to have a session with various high ranking officials in the CIA about Ghorbanifar?

A No.

Q Did that ever come to your attention before the Tower Commission Report came out?

A No.

Q So you didn't have any discussions with Casey the next morning yourself; is that right?

A I think that is right. I don't remember. I may have spoken to him on the phone.

Q The sequence of events seems to be that you had your meetings on the 22nd, there was this meeting with Casey and various other folks on the morning of the 23rd, and then later on the 23rd, a second visitation took place with Ghorbanifar by [redacted] Do you recall a second meeting with [redacted] on the 23rd?

A No, I don't. But then Ghorbanifar wasn't staying at our house, so it --

Q He was staying at a hotel?

A Yes.

Q We have an indication that you met with him at that hotel on the 23rd; do you recall that?

A I may well have done that.

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Q Okay. Do you recall [redacted] being present when that occurred?

A I may, actually.

Q Okay. What do you recall about that meeting?

A Nothing, nothing, but I think I do remember -- I am sorry. I don't remember it.

Q According to Colonel North's calendar, on the 23rd, he met with you and Ghorbanifar at the Madison Hotel at 2:30 p.m. Do you have any recollection of that meeting?

A No, I don't.

Q All right. Again, according to his calendar, he then went from that meeting at 2:30 to another hotel here in Washington, D.C., the Hay Adams Hotel, and met with General Secord. Do you have any knowledge of that meeting?

A No.

Q Do you have any knowledge of a relationship between the meetings with yourself and Ghorbanifar at 2:30 and the meeting with Secord at 3:45 p.m., that very day?

Q No, I do not.

Q Okay. So you didn't know General Secord was in town?

A I keep telling you that I didn't know General Secord.

Q All right. Did you know a Polish gentleman by the name of Copp who was in town when that occurred?

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A No.

Q No? All right. Do you know of any meetings between the Polish gentleman named Copp and Ghorbanifar that would have occurred on the 23rd of December?

A No, I didn't. I never heard about that.

Q If you all will give me leave, let me then move to the polygraph test on the 11th of January. Were you charged with responsibility for coordinating the meeting of the CIA polygrapher and Ghorbanifar? Was that your function?

A No.

Q How was the CIA apprised of the fact that Ghorbanifar would be in town on the 11th of January?

A [redacted] asked me to tell him the date, and I communicated it to him, and then we arranged to meet [redacted] for lunch just before the polygraph.

Q And those present for lunch were [redacted] yourself and Ghorbanifar; is that right?

A Correct.

Q Was anybody else present?

A No.

Q Certain representations were made to you at that time about what the polygraph would be about?

A Correct.

Q But you were not present for the polygraph?

A Correct.

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Q You did not learn about how the polygraph had gone until Ghorbanifar emerged from the polygraph?

A Until he arrived at our home.

Q He went to your home that evening?

A Yes.

Q And he told you what had happened with the polygraph?

A Yes.

Q What did he tell you about the polygraph, in summation?

A Well, first, he was physically in pain and he wanted a doctor, because he had bruises on his arm and he had severe back pain, and he had some pain in his legs which he was afraid, at the time, might have related to some arterial problem or something. He was really fit to be tied. He was furious and he was hurting.

And he said, in essence, that all the rules had been broken, that the questions were asked by a young person who [redacted] -- and, in fact, he had black and blue marks on his arm.

And he said that all the subjects which were explicitly declared to be off limits were raised, and they just kept on going over and over and over and over again, and to current

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events and things that had happened in the past few months, and his relationship with other people in the American Government, and what had been happening with the hostages and all the rest of that, all of which had been quite explicitly decided was off limits and would not --

Q When you say they had been decided, how had it been decided?

A [redacted] had told both me and Ghorbanifar twice -- first, the evening at my house; secondly, at the luncheon just before the examination, that this polygraph was to be given for the exclusive purpose of resolving the questions that attached to Ghorbanifar's veracity because of the first two polygraphs.

Therefore, they were simply going to go back over the questions to which he had given unsatisfactory answers in the first two polygraphs, that he could explain to them why he had not told them the truth; that there would be no discussion, no questions relating to recent events, current relationships, what he had been doing with other members of the government, and the recent past and so forth. I mean that was quite explicit.

Q If the CIA was so far off of the agreed-upon script, why had Ghorbanifar, if he explained to you, proceeded to go ahead with it anyway?

A He had gotten angry, he said.

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Q Well, why didn't he walk out? I mean nobody was chaining him to the chair, I assume.

A I understand. He apparently decided that he would just sit there and answer their questions.

Q All right. Did he tell you whether he was answering their questions truthfully or untruthfully?

A He said he had answered them truthfully.

Q Did he tell you that evening how he had fared on the polygraph?

A He said he didn't have a score or anything, but then [redacted] had said that I would get that the next day.

Q [redacted] had told you that at lunch?

A Yes.

Q All right. When did you learn of how Ghorbanifar had fared on the polygraph?

A About a week later.

Q And from what source?

A I don't remember. Somebody at the Agency, or maybe it was Casey. It certainly wasn't [redacted] who disappeared as soon as the polygraph was over.

Q All right. You had no further contact with [redacted] after the polygraph?

A Correct.

Q You did have a contact with someone else from the CIA that weekend, though, didn't you?

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A Who was that?

Q Charlie Allen.

A I could well have.

Q Don't you recall Charlie Allen coming to your house that Sunday, the 12th?

A Now, what is the date of the polygraph?

Q The 11th, Saturday.

A So Charlie comes the next day?

Q Yes. Do you recall that?

A I don't, but he may have.

Q Do you recall him not only coming the next day, but the day after and spending five hours in your house interviewing Ghorbanifar?

A Yes, I do.

Q Do you recall him only coming once or coming twice?

A I mean I remember the long interview with Ghorbanifar.

Q At your house?

A At my house.

Q But you don't recall talking with Charlie the day before, on the 12th, at your house?

A I don't specifically remember it.

Q All right.

A But there is no reason why that shouldn't have happened. What day of the week was that?

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Q Sunday is the 12th, Monday is the 13th.

A So Monday, the 13th, is the five hours at my house?

Q Right.

A And the day before was a Sunday, when he may have dropped by, and that is what month? December?

Q January.

A January?

Q After Christmas.

A January 13th. I am trying to place it -- I am asking you this because I am trying to place it. I mean are there football games or what? I mean what sort of things are going on on the Sunday?

Q The Super Bowl doesn't occur until the 26th.

A Right. I still don't recall it; but why not.

Q All right.

A I certainly remember the long conversation between Charlie and Ghorbanifar.

Q Were you present for that conversation?

A I was not, no.

Q It did occur at your house?

A Yes.

Q But you were not present?

A Yes.

Q Okay. Why is that?

A Because the two of them wanted to talk.

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Q What is your knowledge about how this meeting with Charlie Allen got set up on the 13th?

A I think I arranged it.

Q Why?

A Well, I think that Charlie expressed an interest in talking to Ghorbanifar, as long as he was here in town anyway, that he had questions to ask, quite aside from polygraphs.

Q When did you have occasion to discuss this with Charlie?

A Charlie was current on it all the way through.

Q Charlie has testified that he was not current all the way through, that he gets a call from Casey and is basically told by Casey to go and reevaluate Ghorbanifar, and he does, and that this is a hurry-up, sudden, bolt from the blue kind of direction from on high. But that ain't the way you recall it; is that right?

A No. As I recall it -- now, I may confuse Charlie and Dewey here sometimes because --

Q They have different personalities.

A I know they are totally different personalities, and one of Charlie's few defects is that he doesn't smoke cigars, but my recollection is that the whole matter of the polygraph was something where I was informed of [redacted] existence and that [redacted] would be contacting me via

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Charlie, but perhaps it was Dewey. It would make more sense that it was Dewey, in fact.

So I may be incorrect about that. But I certainly discussed the matter of the polygraph with Charlie afterwards, and I presume that I discussed it with him beforehand. I think I probably did discuss it with him beforehand, and he just forgot about it.

Q All right. But in terms of having a better notion of why it was that Allen was there, parked in your living room, interviewing Ghorbanifar for five hours --

A He asked that he wanted to talk to Ghorbanifar, and I arranged it. That Casey was the one who instructed him to do it, he did not tell me.

Q Charlie seems to recall that you were present for this interview, but that is inconsistent with your recollection.

A I think I was there bits of the time, but most of the time I think I left them by themselves.

Q Do you remember Colonel North coming by that same day, on the 13th, that Monday?

A I am going to have to start keeping a diary when this thing is over.

I don't remember his coming by. I don't really remember the day that clearly.

Q All right. Colonel North, in a January 16th PROF

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memo, says that he met with Ghorbanifar on the evening of January 13th. Presumably, that would have been at your house. Ghorbanifar wasn't staying any other place that trip; is that correct?

A He wasn't staying at my house either, even though it sounds that way.

Q He was staying at a hotel?

A Yes.

Q So it is possible that he could have met with North at the hotel on that occasion?

A Yes.

Q What hotel was he staying at?

A He was staying at the Four Seasons.

Q Four Seasons. You do not have recall of being present with Ghorbanifar and North on the occasion within days of the polygraph; correct?

A I don't have recall of a meeting with any content to it. If you were to ask me, do I remember a meeting with Ghorbanifar and North --

Q Well, let me give you some specifics. We have another PROF note. This is a PROF note dated January 14, the next day, Tuesday, from McFarlane to Poindexter, in which he says that "Ledeen has been in touch with Kimche regarding the senior character in Iran meeting, and that that meeting is now going to be scheduled for later in January." Do you have

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any recollection of that?

A I had been trying to encourage McFarlane -- it is very funny about McFarlane's PROF notes on the subject --

Q This is post-retirement by McFarlane. We are now in January.

A I understand that. And he named the senior Iranian official?

Q Yes.

A That is interesting. As I have said, I thought that we should follow up this meeting, and I kept on encouraging McFarlane because he was the only one I could talk to that had anything to do with the NSC to try to get that done. And I had said to McFarlane that Kimche concurred in that, something which McFarlane knew, because Kimche had said that to him at the November meeting, and that Kimche was urging a meeting in January, later on in January, and said to McFarlane, "Is that possible?"

So I think he has overstated or misunderstood exactly what was being said, because I mean it was a subject that he often misunderstood because later on, there was another PROF note from McFarlane in March, if I remember it right, where he -- it is to North -- where he says, "Mike was trying to get me to arrange a visa for Ghorbanifar to Switzerland, and I have said, 'If he can't get his own visa, what good is he,' or something to that effect.

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That was, again, when I was saying to McFarlane that if we want to meet with this senior Iranian official, that Ghorbanifar had informed me that the senior Iranian official could not get a Swiss visa. He was having trouble getting a Swiss visa, and I had said to McFarlane, "Can we arrange to get him a Swiss visa?"

Q I think, actually, you are about February 27th when that occurs with McFarlane.

A Okay. But I mean it's a bit later. And that is for the senior Iranian official which, again, -- so either I was explaining myself frightfully badly all the way through that period, or McFarlane just wasn't concentrating on it very well.

Q All right. Let's focus on that. We are mid-January, January 13, 14, that period of time. Do you recall discussing with McFarlane these matters?

A I would discuss the matter of the senior Iranian official with McFarlane whenever I could.

Q All right. Were you in touch with Kimche in that period of time, January 13, January 14, January 12?

A I do not remember when I would have had the conversation with Kimche, but you ought to have a record of that, because almost all the calls I made to Kimche were made through the signal board.

Q Through the White House?

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A Yes.

Q All right. But bear with me. In terms of meetings with Ghorbanifar, which are going on 11, 12, 13 January, the meeting with North which he says occurs January 13, now discussions with Kimche; do you recall being involved in that kind of three-legged conversations during that period of time?

A No. It only looks three-legged, it is actually two-legged, because when I would speak to Ghorbanifar, as opposed to periods when other people were speaking to Ghorbanifar, Ghorbanifar would inevitably say to me, "What about the senior Iranian official?" and this would provoke me. Probably that is the occasion on which I would have called McFarlane and talked to him about it.

Q Why were you communicating with McFarlane then? McFarlane has hung up his guns by that time, right?

A Because there was nobody else to talk to at the NSC about it, and I was hoping that McFarlane still exerted enough influence on Poindexter to convince Poindexter to reopen and reconsider the matter.

Q I see. So you would get in touch with McFarlane because you are having difficulty reaching Poindexter yourself; is that right?

A Yes. You have understated it very nicely.

Q Okay. There is a North PROF to Poindexter, and it is dated January 16. It says, "That as a result of the

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January 13 meeting he had with Ghorbanifar, he is convinced that you tell all to Ghorbanifar and, further, that Nr suspects a, quote, 'secret business arrangement between Ledeen and Ghorbanifar.'"

A Don't you have it backwards? He finds that Ghorbanifar tells everything to me, not that I tell everything to Ghorbanifar?

Q No, actually, I have it right. But in any event, do you have recall of discussions that would have gone one during this period of time that would have been the foundation for this statement by North?

A No.

Q In terms of Nr's suspicion that a secret business arrangement between Ledeen and Ghorbanifar existed as of that time, do you know of any basis that North would have had for that?

A Neither nor North or Nr; there was no basis for it.

Q Okay. Did you have knowledge at that time that Nr was saying such things about you?

A No.

Q He then makes a suggestion to Poindexter, he suggests that you made a contact employee of the CIA in order to require you to take periodic polygraph tests yourself.

A Yes.

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Q Did you have knowledge of that suggestion being made?

A No. It is a bizarre suggestion, of course, because there was no lack of polygraphing at the NSC.

Q Yes, sir. Did anybody, during this period of time, offer you the opportunity to become a contract employee of the CIA?

A No. Surely the CIA didn't.

Q All right. So you didn't sign any such contracts, and none were offered to you?

A That is correct.

Q Then there is a January 24, 1986 PROF from North to Poindexter that says, Casey shares concern over Ledeen and that, quote, "More recent information tends to indicate that there is even further grounds for concern, given what may well be/have been a financial arrangement among Schwimmer, Nimrodi, Ghorbi and our friend." "Our friend" being a reference to you.

Again, that PROF memo, you had no knowledge that that kind of thing was percolating at that time?

A At no time did anyone at the NSC ever ask me about this matter. No one in the government ever asked me about this matter. The only time it ever emerged in a discussion with a person in the American Government was when North said to me, rather late in the Fall of 1986, that some people in

the Department of Defense suspected that I had made money off the sale of missiles to Iran.

I was never asked about it. I was never interviewed about it. I was never investigated for it. It was never brought to the attention of the FBI. I was never asked to take a polygraph. The whole thing remained at the level of electronic gossip, which is what this is.

Q I am going to shift gears on you completely. We have obtained from Mr. Allen certain notes that he made on his January 13 interview with Ghorbanifar. One aspect of those notes that does not appear in Allen's formal memoranda on that meeting is a reference to assisting "Ollie's boys" by way of money that will be generated through a [redacted]

Do you have any knowledge of that taking place in your house on January 13th between Ghorbanifar and Allen?

A No.

Q Did you have any knowledge of Ghorbanifar proposing to Allen various covert operations from the Libyan stings and [redacted] inert explosive matters that would be used to generate monies that could be diverted to the Contra operation?

A I knew both the [redacted] inert explosive story and the Libya sting thing, and I knew that they were matters that Ghorbanifar was proposing. I further knew that these things stood to generate money --

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Q For Ghorbanifar?

A For Ghorbanifar, and for Ghorbanifar's various programs, whatever he was involved in. It was never proposed, or Ghorbanifar never suggested to me that this was going to be a way of generating money for Ollie's boys, or Ollie's projects, or Contras, or anything of the sort.

Q So you did not know in January, 1986, that Ghorbanifar was proposing to Charlie Allen a variety of activities that could generate money for Ghorbanifar which would be used for Ollie North's Contra operation?

A That is right.

Q You did know that he was proposing various things to Charlie Allen and others that would generate money for him?

A And said so. I knew it, and I said so.

Q Yes. But you didn't know that a piece of that action was earmarked for Ollie North and the Contra operation?

A If, indeed, it was.

Q All right. One of the places that it is, is another matter that I wanted to discuss with you. Were you in London on January 26th, 1986, at the Churchill Hotel with Ghorbanifar and Charlie Allen?

A It sounds possible. I mean there was a day when I went by the Churchill and saw Charlie and Ghorbanifar.

Q All right. We have [redacted] meeting that took place between Charlie Allen and Ghorbanifar which,

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has Michael Ledeen saying, "I'm here," and then walking upstairs to meet with Ghorbanifar and Charlie Allen. Do you recall that occurring?

A Well, I came to meet with Ghorbanifar, not with Ghorbanifar and Charlie Allen.

Q Did you know that Charlie was going to be there when you arrived at the Churchill Hotel?

A I don't know if I did or not.

Q Were you surprised when you opened the door and found Charlie Allen sitting there?

A I think I was, yes.

Q And there is elaborate discussion of hellos and eating fruit and then going off to see the Super Bowl, apparently on the television. I didn't know they did that kind of thing in London.

A You would be amazed at how much progress the Brits have made.

Q If that is progress. All right.

A The Chicago Bears played in Wembley Stadium last year.

Q You do not, today, recall being aware of the fact that Charlie Allen was going to be meeting with Ghorbanifar at the hotel at the very time that you show up; is that right?

A I may have been aware that Charlie was going to be in London and talking to Ghorbanifar in that period. I think

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I remember being pleasantly surprised when I walked into the room and Charlie was there. I mean I am always happy to see Charlie. So it was a pleasant surprise, as I recall it.

Q Were you apprised of what they had been discussing before you walked into the room?

A No.

Q They didn't tell you about the various programs that Ghorbanifar and Charlie had been reviewing?

A No.

Q Do you recall that they were also discussing certain silenced weapons at that time?

A No. they didn't discuss silenced weapons with me.

Q 9 millimeter weapons, silenced Kalashnikovs, those kind of things were not brought to your attention?

A No, sir.

Q You had no knowledge of what use they intended to make of those weapons?

A Well, since I had no knowledge that they were discussing the weapons, it follows that I had no knowledge of the use.

Q I am trying to refresh your recollection. None of this is coming back to you?

A No.

Q Among other things that is discussed [redacted] [redacted] before you arrive, however, is monies for Ollie's

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boys in Latin America. You don't recall being aware of that fact at that time?

A No.

Q So Ghorbanifar didn't tell you of any program he had at that point for sending money to Ollie's boys in Latin America?

A No, sir. Not at that point, not at any point.

Q I believe the quote, specifically, is that he was proposing the [redacted] scam, quote, "To help Ollie for his costing in South America," closed quotes. He didn't discuss that with you, though?

A No.

Q You also said that you had just returned after a trip to Rome for a court appearance. Were you in Rome at that time in January?

A Yes. That is my celebrated libel suit, these matters that interest Joel so much.

Q We then touched on the February PROF, but so that we can kind of close this out; you had no knowledge in January, February of 1986 of any program being proposed by Ghorbanifar to generate money that would be used by North for his Contra activities; correct?

A That is correct.

Q You also had no knowledge, in this period of time, that North was concerned about, or said he was concerned

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about a financial relationship that he thought you had with Ghorbanifar?

A I will say it again.

Q Please do.

A The only time that North ever raised that -- that North or any other American Government official ever raised with me the question of a possible financial relationship between me and the Iran operation was that one occasion in the Fall of 1986 when North said, "Some people in the Department of Defense suspect that you made some money off the missile sale to Iran." That is the one and only occasion.

My greatest wish is that they had behaved in a responsible way, and that is when this came from Near, if it indeed came from Near, because Near denies every having said it, but let's assume that he did say it for the moment -- when it came in, if they had simply been gentlemen about it and investigated it, then it would have been put to rest long since, and we wouldn't have to go through all of this nonsense. But they didn't investigate it.

Q Okay. Were you aware that missiles, TOW missiles, were being delivered to Iran on February 27, 1986?

A No.

Q You were not aware of that?

A I was not aware of that.

Q One of the documents that is generated from that

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period of time is a KL-43 message from Secord which reports the arrival of missiles in Tehran, and handwritten on that message, in North's handwriting, and I know you have seen this before or at least heard about it, is that Ghorbanifar was to receive $13,200 per missile and that $50 per missile was to go to Ledeen, and that is handwritten on the KL-43 message for February 27th, 1986.

You didn't have any such financial arrangement, as of February 1986; correct?

A I had, at no time, and have no financial relationship with Mr. Ghorbanifar to do anything, with regard to anything -- missiles or mermaids.

Q Okay. And you weren't getting $50 a missile, $100 a missile, $160 a missile?

A We have not done any business together. We have done no joint ventures. I have never received commissions from him, for anything.

Q Okay. Well, let me broaden that. Have you ever received commissions, remuneration of any kind, gifts, money, Iranian rugs, anything of that kind from Ghorbanifar?

A I purchased Iranian rugs from Mr. Ghorbanifar.

Q Was it your understanding that you were paying fair market value for that rug?

A I did.

Q Having negotiated for rugs in Istanbul, I'm not

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sure how one determines fair market value, let alone does it well.

And no gift, gratuities, remuneration of any kind from Ghorbanifar?

A I mean occasional small presents for family and things like that, but those were reciprocal, I mean we gave him, he gave us.

Q And your firm --

A And I want to be explicit as to what sorts of things they were. They consisted of sweets for the children, perfume for my wife and caviar for some identified member of the family which, by and large has gone to raise the morale of the Washington National Security community. And from our side, they were toys for the children, perfume and decanters for the wife, and various odd books, mostly, for him.

Q Okay. Your firm, your corporation has not received any financial remuneration from Ghorbanifar or Ghorbanifar entities; correct?

A That is correct. Not from anybody who has any association with this affair. Not only not from Ghorbanifar, not from Ghorbanifar, not from Kashoggi, not from anyone associated with either of them, not from Schwimmer, not from Nimrodi, not from Kimche, not from anybody or any Israeli or Israeli entity, or entity of the Israeli Government, or kibbutz in Israel or Israeli movie company, nothing. Nothing

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from anybody associated with this thing, not a cent.

I am net minus, financially, on the Iran operation because some of my expenses were not reimbursed by the government.

Q All right. Bear with me. There is another North PROF, dated September 3rd, 1986, talking about, in very cryptic terms, a "Ledeen caper." Would you have -- do you have any knowledge what that caper might have been?

A What is the date?

Q September 3rd, 1986.

A Can you give me the context?

Q That is the context. THat is really what it is. It is a very --

A It is a piece of paper that says "Ledeen caper"?

Q Right. From North.

A From North. To whom?

Q I believe it is to Poindexter. I had a little trouble reading the handwriting.

A It is a PROF note?

Q Yes, a PROF note.

A You mean it is in the computer?

Q Yes.

A The only thing I can think of is that maybe the Libya business again. We were trying to rev up the Libya business again.

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Q At that time, September of 1986?

A Later. Well, I mean I kind of nudged them on it all along. I always thought it was a good idea. It acquired greater urgency later when the $10 million problem emerged. In addition to its standing on its own merits, the thing became more attractive as a possible way of solving the $10 million problem.

MR. KERR: I am notorious for being able to run these things for a long time, but you all have been very kind to me. I am an hour past where you wanted to quit, and I am content to let it go at this point.

Joel, do you have anything else?

MR. LESKER: No, I don't have anything else.

MR. WOOLSEY: We have testimony this Friday, we've been told. There was some discussion earlier that there was a chance it was Thursday afternoon. Do we know yet whether it is Thursday or Friday?

MR. KERR: I have not been advised.

MR. WOOLSEY: For the logistics of that, who do I deal with? Paul?

MR. KERR: Yes.

MR. WOOLSEY: All right. Then I will call him.

MR. KERR: These folks look, however, like they may have a couple for you, but why don't we take a break first.

[Whereupon, a brief recess was taken.]

MR. KERR: Back on the record.

BY MR. GERARD:

Q I will be very short. I just want to go back to the very beginning of the Iran initiative and your involvement. I think your very first involvement was either on the 4th or 5th of May. After meeting with McFarlane, you then went to Israel and met with Peres at that point in time?

A Correct.

Q Now, in the Tower Board Report, something that has raised a question, I wanted to clarify it here. In Part 3, under -- entitled "Israelis provide a vehicle," you are probably familiar with this because I think it is the first time it mentions you, speaking of an opening to Iran and your involvement on the 4th or 5th of May. It is talking about Israel's and Iran's interest.

I want to read a quick paragraph here, it is in Part 3, Page 5. It says, "The Iranian interest in these weapons was widely known among those connected with the arms trade. These included --" and it goes on. It indicates Ghorbanifar, Schwimmer, Nimrodi, et cetera, et cetera.

A Correct.

Q Then it comes down to about the middle part of that paragraph. It says, "In a series of meetings, beginning in January of 1985, these men had discussed using arms sales to obtain the release of the U.S. citizens held hostage in

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Beirut and to open a strategic dialogue with Iran."

Now, in your meeting with Mr. Peres in May of 1985, in your discussions, at any time did he indicate that either he or some of these other people had been involved in conversations dealing with arms for hostage exchange?

A No. The subject of hostages did not come up in my discussions with Peres.

Q What exactly came up in that discussion, if you could just --

A It is what I have testified to before. We discussed the question of Iran and Iran's role in international terrorism. And I said that my -- I had been instructed by Mr. McFarlane to raise with Peres the question of Israel's knowledge of things Iranian, and that I should say to him, in as hypothetical and as low key a way as possible, with Peres, that we were interested in knowing whether, by any chance, Israel had what it considered to be satisfactory information about Iran. And if Israel, indeed, had good information about Iran, whether Israel would be willing to share it with us. That was the subject of discussion.

Q Okay.

A There was no discussion of hostages at all in that conversation, or anything related to the subject of hostages.

Q Did you have any knowledge at all that prior to this time, these particular individuals or officials had been

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discussing arms for hostages, et cetera, as it alludes to in the Tower Report?

A No, I did not. In fact, I was not put in touch with those people. I was put in touch with Mr. Gazit, and the purpose for which I was put in touch with Mr. Gazit was strictly a matter of exchanging information and trying to compile as accurately as possible a picture of Iran as the two governments could achieve.

The first contact I had with any of the people named there was when Kimche called me in July to tell me that Mr. Schwimmer, who was a person I had not met before then, was coming to Washington and wished to talk to me. And the first I met Schwimmer was at that luncheon that I had with him in July in Washington. And the first I met Mr. Nimrodi or, in fact, the first I had ever even heard his name was in July when I went to Israel.

Q Do you have any knowledge or any reason at all to believe, then, that there were prior discussions regarding arms for hostages before you ever went to Israel, for example, on May 4th or 5th?

A No. I have no first-hand information to confirm that.

Q Aside from first-hand information, any other reason to believe that there were conversations of this nature?

A Well, I have read, by now, articles in newspapers

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and so forth alleging that, but I don't have any direct knowledge of it.

Q Okay. One last point. Shifting now to late 1986, or at the time this whole initiative was exposed and initially became public, et cetera, have you had any contact with Mr. Peres from that point until, say, now?

A Yes.

Q What was that in reference to?

A When the Tower Commission Report came out which contains the allegation that Ner had said to North that I had taken money, I called Peres and I said to him that Ner is quoted in the Tower Commission Report as saying this, and that the Government of Israel had better do something quickly with regard to this allegation, which was totally false, because if Ner did not very quickly correct the record on this matter, one way or another, I was going to sue him.

And Peres said to me that he didn't believe Ner could have said it because there was no basis for such a statement, and he knew perfectly well that I hadn't taken any money, and that he would speak to Ner and take care of it as quickly as he could. That is the only contact I have had.

Q You didn't have any contact with Mr. Peres between the point of exposure and your actual contact with him on that occasion regarding the release of the Tower Report?

A That is correct.

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Q Is that correct?

A That is correct.

MR. GERARD: That is all I have.

MR. KERR: Gentlemen?

EXAMINATION BY SPECIAL PROJECTS DIRECTOR

FOR CONGRESSMAN JIM COURTER:

BY MR. TETI:

Q Mr. Ledeen, there is a mention, I think twice, in the Tower Commission Report about possible initiatives to an Iran opening, by Senator Kennedy in one case, and also by from Secretary of State Haig. And I wondered if you have ever heard of anything having to do with such an opening, either from Iranian officials or anybody in U.S. Government or anybody else?

A No.

Q It is completely mysterious to you?

A I have heard references to Senator Kennedy, also in testimony or questions regarding it in testimony before these committees, but that is all I have heard.

Q The same thing with Secretary Haig?

A I have no knowledge of any activity by Secretary Haig.

Q One or two other things. I think you mentioned n Friday that Colonel North had made remarks at some point, I guess fairly close towards the period just before the

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November press conference, about possibly being fired, or something like that.

I just wondered whether he had ever, either at that time or any other time, expressed some financial concerns or financial hardships about himself?

A Yes.

Q Can you tell us what that would have been?

A The concerns that he expressed on a variety of occasions -- we saw each other socially a few times, not simply in the office -- and he had expressed an anxiety concerning his children's college education, and just simply scratching his head and saying he just wondered how he was going to be able to send his children to the colleges they deserved, since college education had become so expensive, and his wife wasn't working and his salary didn't permit him to send his children to good colleges.

Q Can you say when that would have taken place, when he would have expressed that?

A Oh, on a number of occasions.

Q How about, say, the last time you might have heard it?

A Oh, gosh. It could be almost any time. Not in the period after this matter became public, because we didn't have any of the sort of conversations that would lapse over into concerns of this sort. But I remember one time,

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whenever it was that his pickup truck had sugar or sand or something put in the gas tank and he would have to try to find another vehicle.

This was at the time when the Washington Post put his name out in connection with the Central American initiative, and he was having -- and he said then that he was having trouble figuring out how he could afford a new vehicle, let alone face things of college education for his children. So it was an anxiety for him.

Q He never gave any indication that he had some clue or way to solve that problem?

A That's right. This was a person who didn't have money and didn't have prospects of money.

Q He never said anything about any possible efforts that Mr. Hakim maybe was making on his behalf?

A I never heard the name Hakim until this thing became public. He had mentioned from time to time that he had had some private offers that he was thinking of taking, but he didn't specify them.

Q One other point, -- maybe this will be my last point. You said also on Friday that you had spoken to Colonel North, I guess immediately or shortly after the Attorney General's press conference on November 25th.

A Yes.

Q And he had talked about a meeting that he had

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participated in the same morning, with the President and a number of other people present.

A Yes.

Q I just wonder if he told you, to any extent, what was said at that meeting. You indicated that he did not say that he had been fired at that point, expressed unhappiness that nothing was indicated to him.

Did he say anything else as to whether anything was said about Poindexter, for instance?

A No.

Q Anything?

A No.

Q He said nothing specific about the meeting at all?

A What he said was -- I think what I testified to was that he had been asked, I gathered -- well, I didn't gather. He had been asked at the meeting what he thought ought to be done, and he had expressed his sense of priorities. He had listed out the priorities, what he thought was important, and he named things like the President, the hostages, -- what were the other things? Anyway, things of this nature, and that Ollie North was well down the list, was not a top priority and that, therefore, whatever decision was made was one that he would abide by.

Q Does that mean, or did he say to you anything about the diversion issue itself specifically coming up at that

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meeting?

A No.

Q So you still, at that point, didn't know anything about that?

A Oh, I did know, because the Attorney General had referred to it in his statement, and the President had referred to it in the press conference.

Q I will ask you one very last question, if you don't mind. You said a little bit earlier today -- we were talking about the angry Canadians, the two angry Canadians who were, I guess, upset about not having their financial situation restored.

Did you say that they were stories that you had understood that they were friends of Senator Leahy's? Do you have any indication or any reason to think that Senator Leahy had ever been contacted by them to ask for some assistance with this problem?

A No, no, that was the threat. The threat was that if they didn't get their money back, they were going to go to their friend Senator Leahy.

Q It doesn't appear as if that ever happened, as far as you know?

A The present state of my knowledge, if you were to suggest to me that there were no Canadians at all, I would have to entertain that as a real hypothesis.

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MR. TETI: That is all I have.

MR. CAROME: I just have one question.

BY MR. CAROME:

Q A number of the documents, prepared in advance of the November Hawk shipment, appear to indicate that the original destination was to be Tabriz rather than Tehran. My question to you is, do you know any reason why the original destination might have been Tabriz, and whether there was some change in destination at the last minute that Ghorbanifar or any anyone else at that time talked about?

A No, I can't help you at all. I have no idea.

MR. CAROME: I don't have anything else.

MR. KERR: Thank you. That's it.

(Whereupon, at 2:00 p.m., the taking of the deposition concluded.)

(Signature not waived.)

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CERTIFICATE OF NOTARY REPORTER

I, Terry Barham, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing transcript was duly sworn by me; that the testimony of said witness was taken by me and thereaftrer reduced to typewriting by me or under my supervision; that said deposition transcript is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of the action.

Terry Barham, Notary Public in
and for the District of Columbia

My commission expires May 15, 1989.

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SELECT COMMITTEE TO INVESTIGATE COVERT

ARMS TRANSACTIONS WITH IRAN

U. S. HOUSE OF REPRESENTATIVES

AND

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE

TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

- - -

Thursday, September 10, 1987,

Washington, D.C.

Deposition of MICHAEL A. LEDEEN, taken on behalf of the Select Committees above cited, pursuant to notice, commencing at 10:04 a.m. in Room 901 of the Hart Senate Office Building, before Terry Barham, a notary public in and for the District of Columbia, when were present:

For the Senate Select Committee:

ARTHUR LIMAN, Esq.
JOEL LISKER, Esq.
PAUL BARBADERO, Esq.

For the House Select Committee:

RICHARD J. LEON, Esq.
DENNIS TETI, Esq.

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For the deponent:

R. JAMES WOOLSEY, Esq.
Shea & Gardner
1800 Massachusetts Avenue, N.W.
Washington, D.C. 20036

Also present:

SENATOR DANIEL K. INOUYE
Chairman
Senate Select Committee

SENATOR JAMES A. McCLURE
Member
Senate Select Committee

JACK GERARD
Senator McClure's staff

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EXHIBITS

Ledeen Deposition Exhibits	Marked
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P R O C E E D I N G S

Whereupon,

MICHAEL A. LEDEEN

was called as a witness and, having been first duly sworn, was examined and testified as follows:

EXAMINATION BY COUNSEL FOR

THE SENATE SELECT COMMITTEE

BY MR. LIMAN:

Q Dr. Ledeen, you gave us a statement which we are prepared to include in the record.

If you wish to read it or amplify on it, this is your opportunity.

A I don't need to read it. However, I would like to add some additional materials to the record, with the Committee's permission.

Q All right.

A Let me run through these things so I can keep all my notes straight.

First are basically correspondence. There's a copy of my opening statement.

I can tell you the way we've labelled these--it may help you: Block 1 includes my opening statements, correspondence between my counsel and the Committee Chairman concerning my financial documentation, authorizing the independent counsel to provide these Committees with all of the materials

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they wanted.

Then some material obtained under the Freedom of Information Act from Mr. Noah Cook's office regarding my work on terrorism and counterterrorism for the Department of Defense, and my expertise thereto.

And two additional letters on that subject from Colonel McDaniel and Mrs. Claire Sterling in Italy.

MR. LIMAN: Why don't we mark this group that you've described as the first Ledeen exhibit of today.

XXXX (The document referred to was marked for identification as Ledeen Deposition Exhibit No. 1.)

THE WITNESS: Then I have two additional documents, which we've labeled 1-A.

BY MR. LIMAN:

Q We will give that our own number.

A Yes, I'm sure you will. But just to keep it straight for accounting purposes.

Q You are handing me a --

A These are two additional letters.

Q Two additional letters, one to Chairman Inouye, a covering letter to Chairman Inouye from you, another letter from your attorney to Chairman Hamilton, and a third letter to Chairman Inouye.

The letters are dated, respectively, August 5, July

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24, and July 24. And, Senator, if you have no objection, we will include these as part of the record.

SENATOR McCLURE: I have no objection.

(The documents referred to were marked for identification as Ledeen Deposition Exhibits Nos. 2-A through 2-C.)

THE WITNESS: Then I'd like to add to this three letters dealing with questions on my work in counterterrorism, one from Dr. Tophoven in Bonn, one from Professor Laqueur here, and one from former Secretary Haig.

MR. LIMAN: These will be given the next numbers. I don't know whether you gave them to us before but --

THE WITNESS: No, this is new.

MR. LIMAN: But your attorney described them to us, to Mr. Barbadero.

XXXX

(The documents referred to were marked for identification as Ledeen Deposition Exhibit No. 3.)

THE WITNESS: Finally is a text in Italian, with my translation into English, of testimony given by Admiral Martini in the libel suit in Rome which I have brought against an Italian magazine. I'll explain the relevance of this in just a moment.

MR. LIMAN: On behalf of the Committee, I'm grateful that you translated it.

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THE WITNESS: Well, anyway, I've given you the full Italian original in case there's any questions.

(The document referred to was marked for identification as Ledeen Deposition Exhibit No. 4.)

THE WITNESS: If I can have just a couple of minutes to run through why we provided this information and what it refers to.

MR. LIMAN: Sure.

THE WITNESS: The letter from Secretary Haig, Mr. Lisker had asked me how many times I had met with Secretary Haig when I was Special Advisor to the Secretary of State. And he asked me in particular if I would be surprised to learn that Secretary Haig had said that he only met twice with me during that period. I responded that if Secretary Haig had said that, he would have been mistaken.

This letter indicates that Secretary Haig's recollection is similar to mine, and if this Committee or the investigators for this Committee received other information, it may have been received second or third hand.

The Admiral Martini testimony I have introduced again because of Mr. Lisker's questions regarding my Italian activities, in particular the questions regarding Mr. Pazienza.

Admiral Martini had been quoted by L'Espresso

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Magazine, which is the magazine I have sued for criminal libel in Italy, that I had been involved in questionable activities in Italy along with Mr. Pazienza. And you will see from his testimony that Admiral Martini denies having said any such thing.

With regard to Mr. Cook, Mr. Cook was asked by Senator McClure if he, Mr. Cook, considered me to be an expert on terrorism. Mr. Cook replied that he did not. So I have provided these five letters from persons with extensive firsthand experience with the knowledge of international terrorism whose judgments are in conflict with Mr. Cook's.

BY MR. LIMAN:

Q Dr. Ledeen, as a trial lawyer, I can tell you it is not always a compliment to be called an expert.

A Well, in this case, I'm happy to be called an expert, Mr. Liman. I've risked my life to get that qualification. So it's one that I'm quite proud of.

One of these documents that we've introduced is a written justification for a wording of sole-source contract for work on terrorism for the Department of Defense that comes from Mr. Cook's office. And I just note in passing that Mr. Cook, in writing in some of this documentation, attested to my qualifications as an expert on several occasions.

And, finally, I've included a letter that Mr. Cook

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wrote in response to an inquiry about a possible violation by me of the Foreign Agents Registration Act prior to 1981. In the course of that letter, Mr. Cook claims to have restricted my access to classified information as of mid-1984. In fact, as you can see in the letter, that did not occur until the following year when I had decided to devote the bulk of my time to work at the NSC.

So this documentation shows, among other things, that Mr. Cook has had trouble remembering his own evaluation of my work on several occasions.

A final point. Although I have not submitted any documentation on the subject, during Mr. McFarlane's testimony, Senator Cohen asked Mr. McFarlane if he had been aware that I had "entered the country carrying large amounts of cash." And Mr. McFarlane said that he was not aware of that. And I assume that since there was no such event during the period of my government service, I presume that Senator Cohen was alluding to the events of 1980 and early 1981 when I twice made written declarations to U. S. Customs officials upon entering the United States. Those two declarations are discussed in my previous Senate deposition.

Q Right.

A Then I have a few points concerning Mr. Clair George's testimony, but if you want to defer that until later on.

Q Why don't you continue, and then we can, if that's agreeable to the Chairman and Senator McClure, we can ask you questions when you finish that.

A I have a few points to make with regard to Mr. Clair George's testimony. The first point I would like to make off the record, if I may, because it concerns one of the things we've been trying to keep off the record all along.

MR. LIMAN: With the permission of the Chair, can we go off the record?

SENATOR INOUYE: So ordered.

(Discussion off the record.)

THE WITNESS: On pages 273, 274, Mr. George says "Gorbanifar was the agent to Israel. It was the Government of Israel that said we have got one hot cookie here that can help us make contacts with Iran to release the hostages. Michael Ledeen seems to be playing a variety of roles in this."

I doubt that Gorbanifar was the agent to Israel. And I wish that Mr. George has been asked for concrete evidence. I noted before that the Israeli Intelligence Service, Mossad, was opposed to this operation, and that the executive branch of the Israeli Government was sharply divided.

Moreover, I resent Mr. George's suggestion that I was "playing a variety of roles." My role was precisely that

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assigned to me by the National Security Advisor to attend meetings and to report on them to him.

Somewhat later, in his second day of testimony, Mr. George said, on page 146, "We were asked in December 1985 by Michael Ledeen, Bill Casey, and the Administration to make contacts with Manuchar Gorbanifar because he was an outstanding source of intelligence on Iran. It now becomes evident after the fact that we were being asked to meet with Gorbanifar and learn to love him because they were about ready to put us in touch with him in the Iran initiative."

I cannot speak for Director Casey or "the Administration." But when I informed the CIA about my contacts with Gorbanifar, I was convinced that the Iran initiative was over. My purpose was to enable CIA to get better information about Iran's role in international terrorism, and I note that two of CIA's most knowledgeable experts on terrorism, Messrs. Allen and Clarridge, believed as I did that it was a worthwhile undertaking.

Mr. George said, page 286, that in December 1985, "Everybody in the whole directorate is being wooed and wined by Mr. Ledeen." In this period, it is true that I was once wined and fed by Mr. George. But the suggestion that I had many contacts with the Operations Directorate in this or any other period is false.

Aside from Mr. George, I know only two or three

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persons in the entire Directorate, and I most certainly did not seek them out with the exception of Mr. Clarridge whom I was supposed to inform.

BY MR. LIMAN:

Q You may know more without knowing that they are in the Directorate.

A It's possible, yes. It was, after all, Mr. George who sent me the unnamed person who came to my house to interview Mr. Gorbanifar and arrange the polygraph.

Finally, page 150, Mr. George said, with regard to the results of the polygraph, "I am almost certain that Mr. Ledeen was advised, and, if he was advised, you can count on it like night follows day he told Mr. Gorbanifar." The implication seems to be that I informed Mr. Gorbanifar of whatever I knew about the action of the U.S. government. This is also false.

I communicated to Mr. Gorbanifar what I was asked to and withheld what I was supposed to, including the collection of intelligence on Mr. Gorbanifar's contacts and activities of which Mr. Gorbanifar was unaware.

And that is all I have to introduce into the record.

Q I have a few questions, Dr. Ledeen, and some of them may be repetitive but, since your last testimony, we have been able to review North's notebooks and have had some information from Israel, and it may refresh your recollection

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or at least help us in understanding some of the facts.

First, did you take notes at any of your meetings in the summer and fall of your discussions with Ghorbanifar or the Iranian?

A Yes, I did.

Q And were those notes turned over to us?

A Those notes no longer exist, sir.

Q And when did you dispose of those notes?

A It varied.

MR. WOOLSEY: One set of notes was--you may not think of them as notes--it was a document provided to the Committee, and you were questioned about it.

THE WITNESS: Yes, I know. Well, there are different sets of notes. In some cases of notes on meetings, I simply briefed Mr. McFarlane verbally from those notes, and when I had finished briefing him, I destroyed the notes.

BY MR. LIMAN:

Q And was that pursuant to instructions from McFarlane or just your practice that, because this was a sensitive operation, you did not want to have documentation around?

A It was my practice, and I had an understanding with Mr. McFarlane, that unless there was some particular reason to do so, there would be nothing in writing regarding this.

Q Continue, I'm sorry.

A But there were no specific instructions case by

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case to destroy specific things.

Q No, I was not trying to suggest any innuendo there. I just wanted to know whether for operational security you destroyed them.

A Oh, no, no, I understand, I didn't think there was any innuendo.

The lengthy meetings with Mr. Corbanifar in Israel in late July 1985, I took extended notes, and Mr. Kimke took extended notes. And we subsequently prepared an integral version of those notes, since he took notes part of the time and I took notes part of the time, and we combined these. And these notes were given to Mr. McFarlane, and you, I believe, have a copy of those notes.

I had retained, it turns out, a version of those notes on a computer disk, which I later printed out and provided to the Committee.

But, with that exception, so far as I know and so far as I can find--and I've done a thorough search, not only of all the paper I have in my possession but also of my various computer disks and so forth--that is the only set of notes that I have that exists.

MR. WOOLSEY: Speaking of the Iranian official, there's a document that proceeded from that.

THE WITNESS: Yes, but that is the document regarding a meeting with an Iranian official, a document

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which I did not create but was created by an Iranian, by Iranians.

BY MR. LIMAN:

Q And that was turned over.

A And that was also turned over.

Q Dr. Ledeen, we're all very much aware of that debate in The Wall Street Journal between you and Mr. McFarlane on your position on arms sales.

Did you ever communicate in writing to Mr. McFarlane your views that arms should not be used as a way of opening a relationship with Iran?

A No, I did not communicate my views or my opinions on any part of this initiative to Mr. McFarlane in writing at any time.

Q Now, do you recall having any meeting in Paris with the Israelis and Gorbanifar?

A Yes, I testified to that.

Q And I want to ask you about a meeting that you did not mention in your testimony.

Do you recall a meeting in Paris in September 1985, after Weir's release, in which Gorbanifar asked for Hawks? Do you have any recollection of that?

A What I think I've testified to is a meeting I think the second week in September in Paris, which I thought was a meeting before Weir was released, when Hawks were certainly

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discussed.

Q This was one that was after Weir's release.

A No, I don't remember it.

Q You have your travel records still, don't you?

A Well, I've turned over all the records of travel that I had. And I don't have the record of such a trip nor does the NSC seem to have a record of such a trip.

Now, it's conceivable, I must add, that this doesn't mean that there was no such trip. There may have been one because I sometimes--if a meeting coincided with a trip that I was going to take anyway, I did not bill the White House for travel.

Q Did you ever communicate the NSC's position with respect to sale of Hawks to the Israelis?

A Well, if you would tell me what the NSC's position on the Hawks was.

Q Did you have any position? Did you communicate that the NSC was opposed, that it was in favor? By the NSC, I'm referring not formally to the NSC institution, but to Mr. McFarlane and the staff.

A Listen, I will say again what I've said many times in the course of these depositions, which is that at a certain point I became aware that there was an approval for the Hawk sale. And I was aware prior to the time that the shipment took place, I was aware when the shipment took

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place, and I had conversations with people, including Mr. Schwimmer, where we talked about it was going to happen.

So I knew it had been approved and clearly had discussed it with them. I do not remember when or how I learned that.

Q Did you express your objection to Mr. McFarlane to that?

A I had expressed my objection to all American activities dealing with the question of hostages as of the first week in October 1985 to Mr. McFarlane. And I had told him that I thought it was a mistake for the United States government to pursue the hostage question at all on the grounds that so long as Iran was able to obtain American weapons, we would never be able to judge the real intentions of the Iranians that we were talking to. And he agreed with that.

Now, having said that, and having expressed my opposition to it, I cannot tell you whether, on every additional occasion when I attended a meeting and reported on it to Mr. McFarlane, I reiterated my objection. But, in general, I had objected to it.

Q Now, you said that Mr. McFarlane agreed with it, and I think in one of your earlier sessions you said that Mr. Gorbanifar agreed with this position.

A I sit here as counsel for the Senate Committee and

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say how come, if McFarlane agrees that there shouldn't be arms sales, Gorbanifar agrees that there shouldn't be arms sales, that you become aware at some point that McFarlane has approved arms sales and that Gorbanifar is the intermediary?

A Well, I don't see why it should be so surprising--it's perfectly conceivable. Mr. Gorbanifar, after all, is not the government of Iran; Mr. Gorbanifar is a message carrier, as I was.

Mr. Gorbanifar perhaps had greater input into the Iranian policymaking process than I had into the American. But, nonetheless, he was still an intermediary. So whatever he may have thought himself for his own interest, or what he thought this group should be doing, was certainly something which was not necessarily the same as what the government of Iran thought.

Q So you were drawing a distinction between Gorbanifar's personal views and those of the government that he was representing?

A The point I am trying to make is that whatever Mr. Gorbanifar's private feelings or personal feelings in the matter may have been, he was carrying messages from the government of Iran which was certainly eagerly interested in obtaining American weapons and continuing the arms-for-hostage process. And it's important, I think, not to assume that there's a total identity between those two views.

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Similarly, in my case, I attended meetings and would, from time to time, express a personal opinion. But I was not involved in a decisionmaking process in the United States government either. And whatever decisions were made were made at meetings which I did not attend and about which I did not know.

Q Well, let me be more precise. You testified a moment ago that McFarlane agreed with your view that arms should not be used as a currency for testing the opening with Iran.

Did he ever tell you why, if he had that point of view, that he was approving the Hawk transaction?

A Well, if I can just quibble about one part of that formulation.

He did approve, as I approved, the original shipment of TOW missiles as a way of testing --

Q I'm sorry, I was talking about the Hawk transaction, because my understanding is that your view changed after that, that it was after the TOW shipment.

A After the TOW's, that's correct.

And my answer to you is I cannot account for it because I was not privy to the policymaking decisions. I do not know who made the decision or when it was made.

Q Now, let me turn to a meeting that you discussed off the record--and I don't think that we have to, for the

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purpose of this record, either identify the date or the place, only that it was in Europe.

A Yes, sir.

Q And that was a meeting you attended, the Israelis attended, and there was an Iranian official, and Gorbanifar was there.

A Yes.

Q At that meeting, is it fair to say that the Iranians communicated the desire of Iran for missiles?

A No.

Q Your position is that they did not?

A My position is not only that they did not, but that they said that they were unhappy with the weapon shipments that had already taken place. And they said that they were unhappy with that because it strengthened people with whom they were in political conflict inside Iran.

Q At the time of the meeting, the shipments that had taken place were TOW's, am I correct?

A Correct.

Q Is it your recollection that they did not ask at this meeting for Hawks and anti-aircraft missiles?

A That's correct. I have no recollection whatsoever that they asked for any missiles at this meeting.

Q Dr. Ledeen, do you have any recollection of whether at this meeting you told the Iranians that the hostages had

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to be released if there was to be an improvement in relations with the United States?

A I might well have said that. It was certainly the logic of the situation, and I believed it.

Q And do you have any recollection that the Iranians said that in order to gain the release of the hostages, they had to be able to produce missiles in Iran?

A No. I'm quite confident that no such exchange took place.

Q And you have no recollection that there was any discussion of eighty Hawk missiles at that meeting?

A No, sir, I'm quite confident that there was no such discussion in my presence at that meeting.

Q Let me just ask you--and then I think that I am finished with questions, but the Senator undoubtedly has some, and others may--you still maintain your relationship with Gorbanifar?

A Yes.

Q You testified that your belief was that he was not a Mossad agent?

A I'm very skeptical of that, I would be quite surprised.

Q And you based that in part on the fact that the Mossad like the CIA was opposed to using him?

A Well, I base it on a variety of things. It seems

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to me, frankly, that if he had been an Israeli agent that Mossad would have been more enthusiastic about the project. But instead they were not. And everything that one heard about him inside the government of Israel was very skeptical. And it just seems to me that if they had been able to control him, if he was indeed their agent, they would have had something encouraging to say about him.

Secondly, he is a person who, from the standpoint of an intelligence service, really is not possible to control, and he has the kind of personality which any professional intelligence service would be very leery about working with. I mean, he's a highly mercurial, independent, headstrong individual.

Not only have I seen no evidence to the effect that he was an Israeli agent, but there is all this circumstantial information which suggests that he was not.

Q When was the last time you had any contact with any of the Iranian officials to whom he had introduced you?

A I have had no contact with the Iranian officials to whom he introduced me since I was taken off this initiative in November of 1985.

Q And what about your contact with Mr. Schwimmer, when was your last contact with him? Has it been in the last six months.

A No, I am trying to remember whether it was December

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of '85 or January or February of '86.

Q Let me confine myself to after November of 1986.

Did you have any contact with Nir, Schwimmer, Nimrodi, or Kimche in that period?

A Yes.

Q Which one?

A Nimrodi, Nir--I had one telephone conversation with Nir.

Q When was that, sir?

A That was when I was in Israel in last April or May.

Q And did you discuss the initiative with him?

A I asked him--I had previously spoken to Peres at the time the Tower Commission came out. I had called Peres's attention to the allegation that Nir had allegedly said that I had taken money. And I asked Peres if he would speak to Nir and ask him to clarify that one way or the other. And I had a very brief phone conversation with Nir in May, asking him if he was not prepared to make a public statement.

Q And what about the others?

A I had dinner with Nimrodi.

Q And when was that?

A That was at the same time.

Q You are aware that North has testified that Nir told him that he heard you were getting $500 a missile, and then that apparently all traces back to some remark that

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Gorbanifar allegedly made to Nir.

You have turned over your financial information to us--and I will say for the record that we found no such evidence.

But have you discussed with Gorbanifar whether he mentioned to Nir that he intended to use some of his profits to make payments to you?

A I think I did discuss what was in the Tower Commission with Gorbanifar. And at that time I was not aware that the alleged statement by Nir allegedly derived from an alleged statement by Gorbanifar--but I did ask Gorbanifar whether he thought Nir had actually said such a thing, because I was trying to figure out who had invented this id a in the first place.

Q What did Gorbanifar say?

A Gorbanifar said that he couldn't imagine that Nir would have any reason for it, and certainly Nir ought to know that it was false.

Q Gorbanifar didn't tell you that he had made such a statement?

A He did not volunteer that he had made such a statement.

Q Have you asked him did he ever make such a statement?

A No, no, I haven't.

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Q Did you ever discuss in 1985, in the fall of '85, or the summer of '85, when you were having discussions with Gorbanifar whether money would be set aside out of his profits for some of the expenses of the initiative?

A I was not aware that he had any profits at that time. I was generally aware, as I've testified before, that the prices being charged the government of Iran for the missiles included a quantity of money which represented expenses. Generally speaking, these expenses were in two categories: they were Gorbanifar's expenses and they were the Israelis' expenses.

And certainly there was to be a sum of money as a result of the sales that was going to go to Gorbanifar to cover his expenses in that connection.

Q Was that ever put in terms of a certain amount per missile?

A It may have been, but these were all matters that were discussed between Gorbanifar and the Israelis.

Q Was it ever discussed in your presence that it would be $500 a missile or some figure like that?

A No.

Q Were you told by McFarlane the fact that he had visited the President in the hospital to discuss the initiative?

A Yes.

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Q And did McFarlane ask you to pass on to the Israelis something that had occurred at that meeting?

A Yes.

Q And would you tell me, as you recall it, what the message was?

A Yes. Let me tell you first of all that my recollection of this has gone through several phases. And I want to explain to you why, because I want you to understand how I have been trying to reconstruct this in my own mind.

Q But would you also explain to me whether what you're giving me now is a reconstruction or whether you really do actually remember it?

A The first time I was asked this question, in fact the first time I discussed it with counsel, my recollection was that McFarlane had raised with the President the question of was the United States in principle prepared to sell a certain quantity of TOW missiles to Iran in conjunction with a general test. And that I had been given the President's positive answer by McFarlane just as the President came out of surgery at Bethesda Naval Hospital, and that he had told me the next day, or thereabouts, that the President had said yes, and that we had flown to Israel and I had said yes in principle, and then we discussed this.

Then when I checked the date of the President's surgery and saw that it was in July, I had reasoned with

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myself that it was not possible that I had been told that in July because I had not remembered that Schwimmer had raised the TOW question with me at our luncheon in Washington.

And I reasoned that the first I ever heard about TOW missiles and all of that was when I finally met Gorbanifar in Israel in late July.

And so in some of my earlier testimony on this, based on that analysis, I had said, well, the discussion with the President must have been later. It must have been after Kimche's trip and briefing of McFarlane at the beginning of August.

However, now that I have recalled, thanks to a memo that Wilma Hall wrote about the phone call I made to her after I had lunch with Schwimmer, that in fact the TOW question did come up at that luncheon and that I had raised it with McFarlane.

I now go back to my original recollection about which I now have a very confident feeling, which is the answer is yes, and McFarlane did raise it with the President after his surgery, and it was told to me that, in principle, the answer is yes, and that I could tell the Israelis that, and I so did.

Q And this was to be a shipment by Israel of TOW's from its stocks?

A Correct. Well, let me put it this way: my

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recollection of this was that the United States was agreeable in principle but that we would then want to hear all of the where's and wherefore's and so forth, but that for the purposes of their consideration and these discussions, it was a possibility, it was not something that was --

Q It was agreeable in principle, subject to the details being ---

A What was it, what was involved, and so on.

Q Now, let me ask you, after the first shipment of TOW's, which, as you know, was roughly 100--actually it was 96 TOWs shipped in quantities of, I've become an expert--but Weir wasn't released at that point. He wasn't released until after a second installment of 400-odd TOW's, actually 404 were sent, one-sixth or so, whatever the multiple is that you put 8 into.

A It came to 508.

Q It wasn't quite--it was 504.

But what do you actually recall now--not what you reconstructed--but what do you recall now of discussions that intervened between those two shipments in terms of the United States' consent to the second shipment?

A I recall discussing with McFarlane what I had discussed with Gorbanifar and the Israelis, and McFarlane saying we might as well go ahead and do the whole thing and see what came of it.

Q And what did Gorbanifar tell you was the reason that the hostages didn't come out after the first shipment?

A I will tell you what he told me, and then I will also tell you what we decided had actually happened, if that's helpful to you.

What he told us was that the missiles had fallen into the wrong hands; that instead of the missiles arriving in such a way that good Iranians could take credit for them, they were taken over ---

Q They were taken over by the Revolutionary Guard?

A Yes, exactly. If you would like me to speculate, give you my conclusion as to what had happened in Iran, I'd be glad to do it.

Q Since you've qualified yourself as an expert, I can't resist.

A I think that there were people in Iran who were skeptical of some of the things Mr. Gorbanifar was saying to them as there were people here and in Israel skeptical of things that he was saying to us. And I think there was considerable surprise in Teheran when these missiles actually arrived. And I think that, prior to the arrival of the missiles, they had had conversations with Gorbanifar, and Gorbanifar said on the seventh, at 9:45 a.m., these missiles will arrive, and they said great. And he said you'll have the hostages--you'll do something with the hostages, and they

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said sure, sure--never believing for a moment that the missiles would arrive. Then all of a sudden they arrived.

And I think at that point they suddenly said it was serious after all and now we had better do something about it. And I think that that same kind of scenario is repeated again the following spring on the occasion of McFarlane's trip. I think it's a kind of paradigm for many of the things that happened.

Q Can I ask you one more question, since you've talked efforts at reconstruction versus recall.

A Yes.

Q You testified previously about your meeting on November 21, which was a Friday, with Oliver North and McFarlane, and you testified that North told you that the Attorney General had suggested that he hire a lawyer.

Is that recollection or is that reconstruction?

A What I've testified to is not the Attorney General but that someone in the Justice Department had said that to him, and he told me that in the course of a conversation in which he suggested that I myself might wish to get a lawyer.

Q So that's actual recollection?

A That's actual recollection, but the recollection didn't have a date attached to it, Mr. Liman. And I think what I said in my deposition was that when North asked me on the afternoon of the 21st what would I say if asked what did

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I know about the sale of Kawk missiles to Iran in November of 1985--and at that point I remembered his saying to me that there had been Justice Department people asking him questions about a possibly illegal shipment of Hawks to Iran in November, and that he was talking to me about possibly getting lawyers.

And when he asked me that question on the 21st, I remembered the other conversation.

Q So that the conversation had taken place earlier?

A So that my position is--my recollection is ---

Q Recollection as opposed to ---

A Yes, because I remember my recollection of the conversation the 21st includes my recollection of the prior conversation.

Q Now I have a question that I have been dying to ask. We'll put it off the record because I think the Senator may want to hear the answer, too.

(Discussion off the record.)

XXXX EXAMINATION BY SENATOR McCLURE

Q In regard to Gorbanifar, the possibility of him acting as an Israeli agent, as I recall George's testimony, the question and the answer perhaps were not precise as to when he might have been or might be acting as agent.

I think if you go back and look at it, it's at least ambiguous or subject to the interpretation that he was

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talking about the current time or at some previous time.

Your answers and the circumstantial evidence to which you refer gives you reason to doubt that he seemed to be contemporaneous and don't necessarily refer to an earlier period of time.

Would your answer be the same with respect to any previous time?

A I asked various Israeli government officials in the course of this, since it was so clear that the evaluation of Gorbanifar was the central element in whether one should attempt any aspect of this project--I asked several of them whether the government of Israel had had any previous experience with Gorbanifar, and specifically whether Gorbanifar had ever worked for the government of Israel in any capacity. And I was always told no.

Q Was your relationship with those officials such that you feel that they would have given you information, accurate information, even though they might regard it as rather sensitive or proprietary?

A Not necessarily, no. It's quite possible that they might not have told me what they knew.

However, I keep coming back to the basic point, Senator, which is that if Gorbanifar had had some relationship with Israel, or if Gorbanifar had a working relationship with Israel at the time of the project, one would have assumed the

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Israeli government to have been more supportive of it. And yet you have Mossad opposed and you have Minister Rabin opposed, and so forth. And they are opposed on the basis of Gorbanifar in large part, they are not sold on him.

Q That might be the result of an earlier experience, however.

A That's conceivable, that's conceivable. I can only told you that they--every time I asked them, and I asked people some of whom were in favor of what we were doing and some people who weren't.

Q Now, it is fair to say, is it not, that there was a --let me rephrase that.

A number of people have remarked about isn't it strange that here in the United States Government, you have NSC and NSC staff doing things that the State Department didn't like, and it was also true in Israel, was it not?

A I think it's a universal condition of mankind. I don't know of a single executive branch of any country with which I'm familiar that has any great affection for its foreign ministry. If you look at the British TV series, "Yes, Minister"--I think you'll find it once a week.

Q But that was and is a fact in Israel, was--let me put it in terms of this sequence of events.

There was a division within the Israeli government.

A Yes, indeed.

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Q And between their Foreign Service and the Prime Minister's office.

A No, I think in this case, it's a division ---

Q I'm not saying that to try to cause problems or erect problems there.

A No, no. These conflicts exist regardless of what we say. The conflict inside Israel is between the Prime Minister's office on the one hand--the Prime Minister is in favor of this, and the Minister of Defense is opposed, and Mossad was opposed.

In this case, the Foreign Ministry tended to be supportive, as I understand it.

Q And some of the information or reactions you would get might stem from whatever that division was as well as what caused the division?

A Certainly.

Q You testified earlier about your knowledge of Israeli arms sales to Iran, I believe, but I would like to explore it just a little bit.

We have quite a lot of evidence that Israel has been involved in arms trade with Iran both before and since the fall of the Shah of Iran, is that not correct?

A I don't know that. The only--I certainly am aware of evidence that Israel was involved in arms shipments to Iran prior to the fall of the Shah. I have only one piece of

firsthand knowledge that there was any such transaction after the fall of the Shah, and that is the specific case that I was asked about by Prime Minister Peres where I came back and relayed his request to Mr. McFarlane.

And with that exception, I don't have any other firsthand knowledge of it. I am aware, as I'm aware of rumors and newspaper stories and things like that, but real information, no.

Q And are you making any distinction between U.S.-supplied arms and Israeli-produced or third country?

A No, this is the general question of Israel selling weapons to Iran.

A You've told us today that you had a conversation with McFarlane--I think you've testified to it earlier--with respect to the United States' approval in principle of the arms shipments by Israel of arms supplied to Israel by the United States.

You said that that was a general in principle go ahead and discuss it, but it was subject to the requirement that we would have to know more about it in detail before it was complete?

A Yes, sir.

Q I don't want to put words in your mouth. That's what I understood what you said.

A You're exactly right.

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Q Are you aware of whether or not there was further discussion about the detail prior to the shipment?

A Yes. Kimche flew to Washington early in August and briefed McFarlane. And then I returned to Washington later in the month and discussed it with McFarlane. And McFarlane told me that the President had approved it. And I then flew to London to confirm that to Kimche and to discuss some additional details.

Q So that the earlier prior approval in principle was fleshed out by these events and the conversations that took place?

A That is what I was told.

Q Now, when Kimche was here and held those discussions here, you were not present at the time of those discussions?

A Correct.

Q And you were not the conduit of information with respect to those discussions?

A Well, the set of notes concerning the discussions with Gorbanifar was something that both Kimche and I had worked on so that that document that McFarlane received was something where I had seen it and could vouch that it was accurate.

And I had a subsequent discussion with McFarlane on my return to Washington later in the month.

Q And that subsequent conversation with McFarlane

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confirmed the details of that transaction?

A That's right.

Q Did he discuss the details or just indicate that they had been discussed?

A No, we reviewed where things stood and what was being proposed and what was supposed to happen.

Q Was there any variation between what had been discussed and what was then discussed?

A I don't see how I can answer that. There was no indication from McFarlane that there was any difference between what I was saying and what he had understood.

Q Now, you talked about the Israeli arms shipments and your understanding that there would be enough money to cover expenses.

Are you aware of circumstances that occurred prior in other arms shipments to Iran from Israel in which Israelis had generated what later has been referred to in testimony before us as "residuals," generated profits for use in other covert operations disassociated from those that generated the money?

A Well, since I wasn't aware of any other Israeli arms shipments, it follows that I couldn't have been aware of what had come as a result of that. The answer is no.

Q A little earlier you said something that struck me --I can't get it into my mind, the sequence.

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You said--and I hope I wrote this down accurately when you said it--"When I talked to them about Gorbanifar, I thought the Iran initiative was over."

A Yes. That refers to when I briefed the CIA for the first time early December 1985. When I briefed them about Gorbanifar, my understanding was that the entire Iran initiative had been shut down, cancelled.

Q I thought that had occurred in October rather than December.

A My understanding was it happened in December. McFarlane had told me in November--well, he had told me already in October that he was thinking of shutting it down. In November, I had invited Kimche to come to Washington and discuss the matter with McFarlane precisely because it seemed to me that he was planning to shut down the entire initiative. Kimche confirmed to me that McFarlane was clearly intending to resign and, in connection with resigning, was planning to shut down the whole initiative. And I was then told in late November and early December by North also that the thing was finished.

So my clear impression was that it was finished -- and, in fact, I think that one is entitled from the record, as we now know it, to conclude that it was in fact finished, at least for a few weeks in December. And that was my view of it, and I think it was an accurate view of it.

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MR. LIMAN: Off the record.

(Discussion off the record.)

MR. LIMAN: Could I just establish for the record that it was McFarlane who made the decision to keep the CIA out of the initiative?

THE WITNESS: Yes, sir, I testified to that previously--that's correct.

SENATOR McCLURE: When was that communicated to you?

THE WITNESS: From the very beginning.

MR. LIMAN: And did that include Mr. Casey?

THE WITNESS: Yes, sir. It included the whole CIA without distinction.

SENATOR McCLURE: Did you and Colonel North ever discuss that? Was that ever mentioned between you in your conversations?

THE WITNESS: The fact that the CIA was not to be informed about this?

SENATOR McCLURE: Yes.

MR. LIMAN: And the reason leaks?

THE WITNESS: Yes.

MR. LIMAN: Do you have anything further?

SENATOR McCLURE: Nothing further from me. Thank you.

(Briefly off the record.)

EXAMINATION BY COUNSEL FOR THE

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SENATE SELECT COMMITTEE

BY MR LISKER:

Q During the previous deposition, which I believe was on June 22, at page 216, I asked you about the currency importations that you alluded to in the beginning of this session today. With regard to the $12,001 importation that took place, according to the deposition which you filed on February 8, 1981, you said that you could not then recall the source of that money. Since that session, have you been able to recall the source of that money?

A Yes. And again, this is the information that we consider to be return information. This was final payment; this was the final tranche of an [redacted] payment, and that money was paid in dollars. So that represented $10,000 which was the final payment to me for that project, and $2,000 which was my own money, which wasn't coming from any place or going to any place, but was just my pocket money.

Q And where did the extra dollar come from?

A And was there still one dollar on account?

Q Yes, $12,001.

A I don't know. I guess I had an extra one dollar.

Q And when you say from the [redacted] government, that's the same agency of the [redacted] government that you alluded to earlier in your testimony?

A I frankly--yes, that's the same agency.

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Q Now, prior to January 4, 1985, did you have a business relationship with Ted Shackley?

A Prior to January 4, 1985?

Q Yes.

A Well, I did one project--Ted Shackley and I worked together on one project.

Q Was that the [redacted] project?

A Yes.

Q At or about that time, did you, on occasion, have lunch with Ted Shackley?

A Still do.

Q During a luncheon period, did Ted Shackley ever impart to you any information about efforts by Mr. Cyrus Hashemi or Mr. Gorbanifar or others to acquire arms on behalf of Iran?

A No.

Q There was never any discussion? Did the subject of Iran ever come up at these meetings?

A Oh, Iran often came up. Iran was a subject we often discussed.

Q Is it true that part of Mr. Shackley's business relates to oil opportunities or int[redacted]e with respect to oil?

A I don't know that much about Mr. Shackley's business, but my understanding is that it does have to do

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with oil companies. My general understanding is that it has to do with risk assessment work for oil companies.

Q You testified previously that you did not learn about the memorandum which Mr. Shackley gave to you at your home until sometime in June of 1985. Is that correct?

A No. You mean that I didn't learn about the contents of the memorandum?

Q That you didn't actually have the physical posession of the memorandum until some time--I'm sorry; that the memorandum wasn't actually discussed until sometime in June in detail, but actually--

A May or June.

Q It had been delivered to you earlier, but you hadn't read it, and you passed it on to someone.

A No, I don't think that's right. The way I remember it is that Shackley and I had had a conversation about the fact that he had met an Iranian who thought it was possible to arrange for the ransoming of Buckley, and that it was possible to do a money-for-Buckley deal. That Shackley had informed Ambassador Walters of this fact, and had asked if there was any interest on the part of the United States government, and the answer had been negative.

He then asked me if I were willing to pass this on a second time since he felt obliged to make every effort to see if there was any interest in doing this, and I said sure,

and he gave me a written memorandum. I think it was May.

Q It was after your trip to Israel, though? Your trip to Israel was early May, so this was some time after?

A Yes, I think that's right, although I must tell you that only an astrologer could believe that there's any significance--there's no relationship to the Israel trip. There would have been a relationship to it later if I had, as I undoubtedly should have, read the memorandum. But instead I simply passed the memorandum to North, and said, "Shackley met an Iranian who thinks that it's possible to ransom Buckley. If you're interested, here it is."

Had I read it at that time, when I met Gorbanifar in July, I hopefully would have remembered what the memorandum said, and said, "Ah, here's the same person again," and I would have discussed it with Shackley. But in fact I didn't read the memorandum, and so therefore never discussed it with him.

Q Did you discuss with Shackley, at any time prior to your visit to meet with the European intelligence officer that set in motion this whole chain of events as you previously described them, did you discuss discuss with Shackley your intended meeting with the European intelligence staff officer down there?

A No, I certainly don't.

Q To your knowledge, is Shackley acquainted with this

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individual?

A I have no idea.

Q So it's never been discussed?

A No.

Q Before or after?

A No.

Q Are you aware whether or not Mr. Gorbanifar has ever presented himself as Iranian Prime Minister Mousavi's representative for intelligence affairs in Europe?

A I don't know.

Q So you are not aware of that?

A He didn't present himself that way to me.

Q Did Mr. Nimrodi ever communicate to you that Gorbanifar had presented himself that way?

A Not that I can recall.

Q That's all I have.

A If I just add another--I am aware that there are people who think that Gorbanifar might have had such a function. But your question was whether Gorbanifar so presented himself.

Q Yes.

A And my answer is no.

Q Thank you.

THE WITNESS: Mr. Liman, could I come back to that business with regard to Hawk missiles?

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MR. LIMAN: Sure.

THE WITNESS: You can well imagine that when this conversation took place, and I was told by the Iranian official that we was unhappy about the fact that the United States had sold weapons to Iran, that this made quite an impression on me. I was quite cheered to hear this, because this was support for the position I held, which was that we shouldn't be selling them weapons at all.

Had there been, later in that conversation, a request on his part that we go ahead and sell additional weapons to Iran, there would have been great dissonance. I mean, that would have registered very strongly. There was no--in my presence, there was no discussion and no request from this Iranian official for any sale of weapons to Iran so far as I can recall on that.

MR. LIMAN: Which meeting are you referring to?

[Witness and attorney consult.]

THE WITNESS: I'm sorry--Hawk missiles.

MR. LIMAN: Hawk missiles. Which meeting are you referring to now?

THE WITNESS: You asked me about a meeting where we weren't going to talk about date or place.

MR. LIMAN: Yes, that's what you're talking about.

THE WITNESS: And you asked me repeatedly whether I had any recollection--

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MR. LIMAN: I just wanted to show we were placing it at the same time.

THE WITNESS: And my counsel has reminded me, and I want to stipulate it, just on the off chance that there may be a misunderstanding here, that I'm talking about Hawk missiles, and I'm happy to confirm that there was some conversation of small arms and material of that sort.

MR. LIMAN: I understand.

THE WITNESS: If you'll permit me one final little remark.

MR. LEON: I have some questions. You can choose to do it now, if you'd like--I don't care.

THE WITNESS: Well, I've got this on my mind, let me just put it in. I think it might interest Senator McClure also.

You asked questions of various of the witnesses--Secretary Schultz, Secretary Weinberger, and so forth--about the assessment of how Iran felt about the war. And remember, the President at one point had said how we were helping the weaker side, and statements to this effect.

I'm going to make a kind of general point about this, if I may, about the way it seemed to me, because my impression of this picture of this relative strengths of Iran and Iraq, I must confess, is a lot greyer than the one that some of the witnesses have presented, and also I think--I

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believed, and you'll find statements of mine on the record here from place to place, saying that the Iranians were very concerned about the way the war was going. They felt that they desperately needed certain kinds of weapons to defend themselves.

I have written about this, that there was a major Exodus from Iranian cities at night, because they were afraid of being bombed from the air, and that there was no night radar functioning in Iran, and that Iraq had complete control of the skies, and that the Iranians were very concerned about this, and it had real social consequences.

Now, I am not a military expert, and I'm the last person on earth to try to outthink military intelligence analysts. However, speaking as a professional historian, I think that it's fair to say that the winning and losing of wars often depends on factors aside from a brute assessment of tanks and guns and infantrymen and so forth; that morale and perception play a major role. And I think that there was and still is every reason to believe that there were lots of Iranians who feel, in many ways, helpless before Iraqi military power.

Even the events of the last few days, where their cities are being bombed, and their factories are being bombed, and their counter-reactions are really quite feeble, I think shows that there are many Iranians who could legiti-

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mately hold that view and be quite concerned about the future of their country and the stresses within the society that this kind of pattern produces.

So I don't want to get into an argument with people who are much better-versed in military questions than I, but I simply want to say that when you find, from time to time, Iranians really very upset about the way the war is going, I think one has to remember the extent to which Iraq can bomb Iran virtually at will, without fear of being shot down, particularly at night, and that this produced major social consequences inside Iran, and that for a government that is concerned about its own future, the kind of turmoil that this thing produced in the past and is producing today inside Iran, is a serious matter.

I think this may explain some of the attitudes that some Americans held about the balance of power in the war.

FURTHER EXAMINATION BY SENATOR MCCLURE

Q Did you have any conversations with either Mr. McFarlane or Mr. North with respect to the relative strength of Iran and Iraq?

A The conversations I had were the ones in which I recounted--I remember conversations with Mr. McFarlane. I don't particularly at this time remember any with Colonel North--where I described what I had learned to have been the consequences inside Iran of these Iraqi assaults.

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Q Did Mr. McFarlane at that time express to you any opinion as to the relative strength of the two countries, military and otherwise--

A No, sir.

Q --as to who was winning or losing the war?

A No, sir, he did not. However, I will tell you that I have a very clear recollection of a series of discussions and memoranda in the Department of State, when I was working there, in late 1981 and early 1982, where it was the clear--I'm not sure that "conviction" is the right expression--but concern on the part of NEA, that Iran was about to overwhelm Iraq, that Saddan Hussein was about to fall, and that next would come Kuwait and Saudi Arabia, and that we would be facing a hegemonic Iran within a matter of months.

There were proposals then of many of the things which were proposed later on--sharing intelligence with Iraq, shoring up Saudi's, looking for places to base forward material, and so forth--back in 1981. So that the fear of the imminent collapse of Iraq is one which has been with us for quite a long time, and so the American government--I remember at the time expressing some skepticism as to whether Saddan Hussein was as feeble as all of that, and whether we were going to have a hegemonic Ayatollah.

Q Yes, but you didn't hear the opposite side of that at a later time, from any source within the government, that

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somehow Iran was about to be defeated by Iraq?

A No, I don't think anybody held that view.

Q What was the prevailing view expressed to you by Israeli officials?

A Oh, the view expressed to me by Israeli officials was that the war was a virtual standoff.

Q They didn't express to you--

A They didn't think either--

Q --the fear that Iran was getting the worst of it?

A No, they didn't seem to. I don't recall any Israeli expressing to me a belief that either side was in any danger of winning that war. No.

Q You have said that it was your clear impression, and it was Kim[he]'s clear impression, that this project was off, or about to be terminated by McFarlan[e].

A That's right.

Q Some time early to mid-December?

A Early to mid-November.

Q November.

A Yes.

Q By the time you were talking to the CIA in December, it was at that time your impression that the Iranian initiative was over.

A Yes, sir, that's right.

Q What caused it get back on track?

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A I don't know. I'm not familiar with that part of the story.

Q Were you surprised that it was--I assume it would be correct to say--started up again?

A Yes, I was. I was surprised that it was started up again, and did not understand why. It is one of the subjects that I have resolved to investigate, because I'm not satisfied with all the explanations that I've heard today.

EXAMINATION BY COUNSEL FOR THE

HOUSE SELECT COMMITTEE

BY MR. LEON:

Q I'd like to follow up, Mr. Ledeen, on a question that Senator McClure had asked you a little while ago. Are you familiar with Gary Sick's book, "All Fall Down"?

A I've read parts of it. I'm not sure that I've read all of it.

Q About the United States government's dealings with Iran and effort to get the hostages out.

A Yes.

Q There's a passage in this book dealing with October 22, 1981. The Carter administration was working feverishly in an effort to get the hostages out. At that point in the book, Mr. Sick, who was personally involved and knew exactly what was going on, has a footnote, and I'll read it and ask you to comment upon it if you're knowledgeable. It's

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footnote 10 on page 372. I'll quote.

"In the midst of this delicate process, a message was received from Prime Minister Begin, indicating that Israel had been contacted by the Iranians, seeking military equipment and spare parts. He said that one plane-load of material had alreay been dispatched, and he sought U.S. approval to continue to provide spare parts for Iran's U.S.-built aircraft. At a time when every effort was being exerted by the United States on its allies to insure the integrity of the embargo, this request was received with astonishment, bordering on disbelief. Begin was informed that any leakage in the embargo would be regarded as unhelpful to U.S. efforts to bring pressure on Iran to end the hostage crisis, and he was asked to desist. He said he would."

Were you familiar, at about that time, that those kinds of efforts on the part of Israel were going on, vis a vis, Iran, providing spare parts, that is?

A Well, it was clear that American officials informed the executive editor of the Washington Quarterly of such goings-on at that time, and the answer is no, I didn't know anything about it.

Q How about since then? Do you have any knowledge of Israel providing spare parts on its own initiative to Iran, despite the embargo?

A No. We keep going through this, and my answer is

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no.

Q Just want to verify that with regard to this particular point.

A I remembered Mr. Lisker once asked me if I knew anything about tires. I said that I remembered reading some newspaper story about tires for airplanes, something like that. I have a vague recollection of reading a newspaper story about General Sharon and tires for airplanes in Iran. But that's it. I did not work on these matters. This was not my area.

Q Could you state for the record what you thought Israel saw its interests being in this strategic initiative that McFarland was working on and thinking about in 1985? How did Israel perceive its interests in that taking place?

A Israel--well, Israel. Because there were differences. There are Israelis who differ as to what is the best thing to do. So far as I understood the Prime Minister's position and the position of the people around the Prime Minister, it was that, so far as the war was concerned, they did not want a winner and a loser. The best outcome was either that the war should end in place, or that the war should continue indefinitely.

The worst outcome was that one side wins and the other side loses. And if you have to pick between the two winners, if someone has to win, it's probably better from the

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Israeli position that Iran win than Iraq win. And that because Iraq is an Arab country and part of the radical Arab bloc--from Israel's standpoint, very bad--and that Iran, although at the moment very hostile, is a country with a tradition of being anti-Arab like Israel, and therefore the enemy of my enemy is my friend. Also there is a history of good relations between Persia-Iran and Israel over time, so that Israel is prepared to swallow the short-term unpleasantness in terms of a long-term enduring parallel interest with Iran.

So that Israel's strategic objective in that part of the world is to maintain the integrity of Iran if possible. So that when things change with regard to the Iranian regime, they will then have a good relationship with that future regime. But they do not wish to see Iran disintegrate, because a disintegrated Iran removes the buffer between the Persian Gulf and the Soviet Union on the one hand, and can no longer block the radical Arab expansionism coming from Iraq, and possibly Syria as well, on the other.

Q Do you think the Mossad would have agreed with the Prime Minister's assessment as you think you've just stated it?

A I don't know what Mossad's position on this is.

Q Was, actually. I want to focus on what you thought, back then, they thought.

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A I don't know what they thought. I was aware that there were views violently opposed to this in the Israeli government. There were people, for example, who thought that it was a grave mistake on the part of Prime Minister Peres and the people around him to be dealing with and supporting radical Shi'ism, because their view was that while one could come to terms with one or another Arab country over time, that it was the nature of the Khomeini revolution and of radical Shi'ism that it would be forever opposed to Israel, and that this was indeed a far greater threat to Israel than any Arab country, no matter how radical it might be.

So there were people within Israel and within the government who felt this very strongly indeed. So was it was an object of no little discussion inside Israel.

Q How possible do you think it was back then, Mr. Ledeen, that there were those within Mossad, let's say, who might have been opposed to the initiative, and who thought, therefore, it would be in their interest to have Gorbanifar involved, because he would ultimately bring a doom to the initiative? Had you considered that possibility back then, and if you hadn't, looking back on it, do you view that as a possibility, that there were those who were anti-initiative who saw Gorbanifar as a person who would work their will indirectly?

A It's always possible to argue that, when you set up

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a hypothesis and then you find evidence that runs counter to it, that it's not the hypothesis that's wrong, but it's the evidence, after all, that's wrong, and the evidence only appears to be wrong, and secretly, deep down underneath, it is the opposite of what it appears to be.

Q Some would say an investigation is like that.

A I must say that I think it's always very hard to find out the truth about anything, but I do think that in a case like this, it's a bit too deep for me. And that most of the time in a country as rough-and-tumble and outspoken as Israel, the position that people state are the positions that they actually hold, and not positions stated for the reason of achieving the opposite of what they say they're trying to achieve. It's just too clever by half.

Q You've produced evidence today that suggests, supports, the notion that you are an expert in the area of terrorism. I didn't hear Mr. Liman challenge it, certainly--

MR. LIMAN: I didn't think that the purpose of this was to challenge it. I accept the fact that Mr. Ledeen has the credentials he described in counter-terrorism, and that he is an expert.

MR. LISKER: I can testify to that.

BY MR. LEON:

Q I will agree to that, certainly, so I would like to ask you this. From the vantage point of an expert on

terrorism, which I think you bring to this discussion certainly, can you comment on the importance of human intelligence, as opposed to other forms of intelligence, in the fight against terrorism?

A Yes. It's indispensable. You can not do it without it. Technical intelligence can only carry you so far, because basically what you need to know in terrorism are the intentions of the terrorists. What are they planning to do? That's the basic information that one requires. Unless they are awfully incautious and behave in such a way that you can gather this information by one form or another of surveillance, you're going to have to get inside the organization.

Furthermore, if you want to destroy the terrorist organization, you must also get inside one way or another and dismantle it from within, because strikes from without, for the most part, never succeed in getting the whole organization. You have to get the core of it. So you must get within it, and this can only be done by people.

If you'll permit me one footnote. One of the arguments I've been having within the American political debate on this question of terrorism and human intelligence has resolved around the executive order on assassination. We have now the third president that has stated a position that not only can no American official be involved in assassina-

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tion, but can not be associated with assassins. Excuse me, Mr. Liman, but the lawyers have written this to great length, and so not only can you not assassinate, but you can't cause to be assassinated or encourage assassination or have anything to do with assassins.

Unfortunately, in the process of getting good intelligence about terrorists, if you're going to talk to a terrorist, you're going to talk to an assassin, because terrorists are made into assassins. In other words, they're not let into the group. So, oddly, we have this executive order which makes it extremely difficult to get good intelligence. For many years--people are trying now to ease up some of it--but the way thing is written, you simply can not effectively penetrate a terrorist group. I think it's a terrible mistake. We have to address this.

Q When you began your work on the initiative back in 1985, what was your assessment at that time of the state of human intelligence in the United States and Iran?

A Very poor.

Q Were we relying, out of necessity, on Israeli intelligence assistance?

A I don't know what we were relying on, but I must stress that it was not simply my assessment, it was the CIA's assessment. When the Special National Intelligence Estimate was done in the late spring or early summer of 1985 on Iran,

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if you read the document you will find repeatedly language, "We don't know much about this. We have fragmentary information. We are unable to identify the basic political organizations in this country, or what the lines of political conflict are."

If we were relying on Israeli intelligence, it wasn't very good, either, and indeed I remind you that Prime Minister Peres said to me that he did not think that their intelligence on Iran was particularly good.

Q How about in Lebanon, at that time?

A In Lebanon, I think that they would feel that their intelligence--they would feel better about their intelligence.

Q Better than in Iran.

A Yes.

Q When the initiative was being worked on, back then in 1985, was there any consideration to improvement in United States human intelligence in Iran as one of the objectives?

A I don't know. I don't function within the intelligence community per se.

Q Did you have any evidence of any fabricated or inaccurate intelligence by the Central Intelligence Agency back at that time to support the initiative?

A No. The only intelligence from the CIA of which I was aware was the SNIE, and that was poor quality but admittedly so. I don't think there was any reason to suspect

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them of duplicity.

Q Let me finish up by focusing on two last sections. First of all, with regard to November of 1986, that time period of November 21 area there, why was it, if your involvement had been cut off in November of 1985, which you've testified to repeatedly, at the end of November of 1985, why was it that McFarlane and North needed to see you in November of 1986 with regard to the events that were unfolding at that time?

A Because I wanted to speak about my involvements in 1985. I wanted to speak publicly about it, and they didn't want me to. So that meeting took place, you'll recall, at my request.

Q The Friday meeting.

A Yes. I wanted to talk to McFarlane about it.

Q At your house.

A At my house. And then North said that we needed to talk about something. I saw North anyway. I was working for North.

Q Did you know he was going to show up that morning, the 21st?

A No, I don't think I did know that. I think I was surprised.

Q That he showed up on the scene.

A Yes. And then I went down and then we discussed

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the Hawk question. But there was nothing surprising about those meetings.

Q They were looking for your assistance only with regard to information.

A No, they weren't looking for my assistance at all. No one asked me for my assistance.

Q The chronology, they weren't asking for any help with that either?

A No, quite the contrary. I finally had to call Keele and say, "How do you propose to do this chronology without my input?" And he said, "Good idea. Why don't you write us something?" So I did, but never heard anything from North or McFarland about that.

Q Do you remember when that would have been, roughly? Certainly it was before the 21st, obviously.

A It was before the President's speech.

Q With regard to your discussion that you've testified to earlier today, relating to the need, perhaps, for you to get a lawyer with Colonel North. He didn't identify, obviously, who it was at the Justice Department that he said he had been speaking to. That's correct, isn't it?

A That's correct.

Q Is it possible that that conversation with him might have taken place the following Monday, the 24th, after he had met with Justice Department people over that weekend?

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A It's conceivable, but again my recollection of the conversation with him on the afternoon of the 21st was that when he said to me, "What would you say if asked the following questions," I then recalled his previously said to me, "I'm being asked questions by Justice Department people," et cetera.

Q Did you link that conversation with it was raining that day or something like that?

A No.

Q Is there any other way you can link it to that day, besides what you've already testified to?

A No, I have no recollection of the date, and the only recollection I have is that I think that the previous conversation, the one about lawyers, took place on the telephone.

Q Dennis, do you have anything else you'd like to add?

EXAMINATION BY COUSEL FOR THE

HOUSE SELECT COMMITTEE

BY MR. TETI:

Q There is some speculation somewhere in the Tower Commission Report on Gorbanifar's connection in Teheran, with the possibility suggested by someone, I don't know who, that he may have a connection with someone who is a KGB agent. Do you remember that?

A Yes.

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Q I just wondered whether you might have any kind of information or any feeling as to whether that could be true, or whether it's entirely unlikely, or any independent information about it.

A I've seen no information to suggest it. It was one of the hypotheses that I held about Mr. Gorbanifar at the beginning. I was for quite a while extremely suspicious of him, and thought it entirely possible that he might have been sent to us by the KGB in order to determine our intentions with regard to Iran. It took me quite a while to get over that suspicion, I must tell you.

But I did get over it after a while, and I haven't seen anything to suggest that that's true.

Q The other thing, if could ask you about this, you were talking about the fact that in late November and December of 1985, you had been given the distinct impression that the Iran initiative was over. Did you ever have any conversation either with Mr. McMahon or with Admiral Poindexter that would have led you to believe that at the time?

A No.

Q I just find it--I mean, that just happens to be the time when the first finding is being put together. That's the reason it strikes me as being odd.

A No. I never spoke to Mr. McMahon about this, and I tried repeatedly to talk to Admiral Poindexter, but never was

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given an appointment.

Q When did you finally learn that the initiative had been resumed?

A I'm not sure. Probably in February or March.

Q How did you learn that?

A I think it just became evident. I mean, I saw Gorbanifar from time to time in Europe, and I worked in North's office, and after a while it became clear.

FURTHER EXAMINATION BY COUNSEL FOR THE HOUSE SELECT COMMITTEE

BY MR. LEON:

Q Something just occurred to me. Let me ask just a couple of questions. When did you first learn, Mr. Ledeen, about McFarlane's trip in May of 1986 to Teheran with North?

A Well, I heard about a month before it took place that it was about to take place, that it was being discussed. I went to him and urged him not to do it.

Q Where did you hear that from?

A I don't remember where I heard it.

Q You urged him not to go? For what reasons?

A For the same reason that I was opposed to the whole arms-for-hostage thing all along, which was that this trip could only, whatever else it accomplished, it could only have the effect of strengthening the regime in Iran, and that our interest was in weakening the regime in Iran, and not

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strengthening it. And I did not think we should do anything to strengthen those people further.

Then I did not know that it had actually happened.

Q Until it came out in the paper?

A No. I knew that it happened by the fall. I guess by about September or so, I knew that he had done it, but I didn't know exactly when it had happened, and I knew bits and pieces about what had gone on there.

Q And who had informed you that it had taken place?

A Part of it came from Gorbanifar, and bits and pieces of conversations that I either overheard or participated in, in Washington. I couldn't place them all for you.

Q After it had become public knowledge by virtue of the new leaks from Iran that the trip had taken place, did you have any conversations with Nir or anybody connected with the Israeli government as to how Israel wanted McFarlane and the President to handle these disclosures?

A No. I had no discussions with any Israeli about this until, I think I called Peres to scream at him about what Nir had allegedly said in the Tower Commission. I think that's it.

Q Did you have any discussions with Nir on the weekend of the 21st of November or thereafter?

A No.

Q I have nothing further. Thank you very much, Mr. Ledeen.

(Whereupon, at 1:00 p.m., the taking of the deposition concluded.)

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CERTIFICATE OF NOTARY REPORTER

I, Terry Barham, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing transcript was duly sworn by me; that the testimony of said witness was taken by me and thereaftrer reduced to typewriting by me or under my supervision; that said deposition transcript is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of the action.

Terry Barham, Notary Public in
and for the District of Columbia

My commission expires May 15, 1989.

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